



# **LAND REFORM PROGRAMME IN IRAN**

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**TO WHOM IT MAY CONCERN:**

This is to certify that Mr. Ahmed Ali Bosorgzed has completed his M.Phil dissertation on " Land Reform Programmes in Iran " under my supervision. It is worth submission for the award of M.Phil degree in Economics of the Aligarh Muslim University, Aligarh.

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## CONTENTS

List of tables	...	...	111
INTRODUCTION	...	...	1
Chapter I	IRAN'S AGRICULTURE AND EARLIER ATTEMPT TO LAND REFORMS		7
Chapter II	LAND TENURE SYSTEM		27
Chapter III	LAND REFORM IN IRAN SINCE 1962 AND ITS ASSESSMENT		42
Chapter IV	IMPACT OF LAND REFORM PROGRAMME ON AGRICULTURAL GROWTH		70
Chapter V	CONCLUSION		102
Glossary	...	...	112
Bibliography	...	...	113

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LIST OF TABLES

Chapter I

1.1	The number of ex-crown villages distributed between 1951-1962.	25
1.2	Number of villages and families constituted the ex-crown lands	26

Chapter II

2.1	Estimate of the distribution of village ownership in Iran before the land reform programme	30
2.2	Types of tenure systems in Iran by number and area of land holdings, 1960.	35
2.3	Classification of national land holdings, size and number of land holders and rural families in 1960.	36

Chapter III

3.1	Villages and villagers affected by the first phase of land reform.	61
3.2	Rural cooperative societies, union, joint farm corporations and production corporations (1974-75 to 1978-79).	69

Chapter IV

4.1	Form of agricultural ownership distribution according to ratio both owners and area, and result of concentration coefficients during 1960-83.	73
4.2	Distribution of land ownership among <u>nasag</u> -holders (1960-72).	74
4.3	Gross domestic product by sector, 1962-72 (at constant 1959-69 prices).	76

4.4	Gross domestic product by sector, 1972-78 (at constant 1974-75 prices)	77
4.4	Annual growth rate GDP by sector, selected periods (per cent).	79
4.5	Distribution and percentage share of agricultural output 1962-71 (constant 1959-60 prices)	81
4.5a	Percent of growth change of agricultural output (1962-71)	83
4.6	The application of technical input to Iranian agriculture - 1962-74.	85
4.7	Quantities of output and their growth, selected agricultural products during land reform programme	86
4.8	Comparison of yield of main crops between Iran and some other Asian countries	88
4.9	Investment and percentage distribution of development expenditure 1963-1972.	89
4.10	The distribution of land holdings by system of production 1976	90
4.11	State loans and grants to the peasant sector a and farm corporation - 1968-75.	91
4.12	State loans and grants to the peasant sector and farm corporations (rials) 1968-75)	92
4.13	Distribution of capital by various agri- cultural systems.	94
4.14	The distribution of membership and capital peasant cooperative and farm corporations, 1977-78	95
4.15	The sectoral distribution of private con- sumption and population selected years (%)	100
4.16	The sectoral distribution of private per capita consumption, selected years (1963-78)	101
4.17	Sectoral per capita consumption relative to country-wide private per capita consum- ption 1963-78 - Selected years.	101



## INTRODUCTION

Iran, embracing 49,764,874 population<sup>1</sup> is one of the populous and potentially richest country in West Asia. It has had a brilliant history of development, culture and art and seen many ups and downs in the history where monarchy survived for more than 2,500 years till 1979. Then it gave way to the restoration of Islamic Republic. It has a wide area and open outlet to the water of Persian Gulf. The country is rich in terms of mineral resources, specially hydrocarbon and copper.

Agriculture has been a primary occupation of Iranians from the very beginning of recorded history. It has played a very important role in the economic development of the country.

As late as 1960s Iran was self-sufficient in food stuffs. Later on, the failure of government's policy, viz., land tenure system and overall agricultural policy was responsible for deteriorating performance of agricultural sector. The government assigned low priority to agricultural sector because the aim of former Shah of Iran was to make Iran an industrialised country at par with those of the industrialised nations of the west by the turn of the century. But the policy was ill-conceived because Iran has largely a consumption oriented society. It was not possible for them to have

<sup>1</sup> Jumphuri-e-Islamie (Persian), Daily, Tehran, March 4, 1987, p.11.

industrialisation without simultaneous development of the agricultural sector. Industrialisation necessarily brings with it urbanisation and rapid expansion of industrial labour force. Therefore, agriculture has to provide additional food to the urban population with their increased income. Agriculture has to provide raw material and generate export in order to earn foreign exchange. Agriculture also provides labour as well as capital to industrial sector. Therefore, both the sectors have to be developed simultaneously in a country like Iran.

Iran's system of farming has been based from ancient times on absentee landlords and landless peasants. The deposed King or the former Shah of Iran introduced land reform programme in 1962 in order to have fair distribution of land, production as well as productivity among the farmers, but these programmes turned out to be a failure. There was no great impact on production and productivity in agricultural sector. After the distribution of land among the landless peasants, the government provided financial assistance to the farmers. But the policy of financial assistance was discriminatory and only big landlords or the farmer-owners with large land holdings could benefit from it.

As regards the price policy, the government extended the policy of support prices for agricultural produce. But this support price was of no much consequence. International food prices during that time increased quite rapidly. The Iranian

food prices rose at a rate higher than international prices. Iran imported huge quantities of food from other countries, and Iranian farmers suffered greatly.

Though production in agricultural sector increased, there was either no change or very negligible change in productivity, some believe that the productivity in Iran was even zero.

In different Plan periods the growth rates achieved by the agricultural sector were even lower than growth rates achieved by other sectors of the economy.

When we critically examine former Shah's land reform programme, it appears that late Shah introduced land reform programme of 1962 in order to get sympathies of the farmers by way of distribution of land among the landless peasants and eradication of absentee landlordism. At one stage, the distribution of land among landless farmers was done and later on in order to introduce modern farming, consolidation of land was done. Small pieces of land were taken from the farmers the farmers and consolidated. Subsequently foreign agro-business firms were invited. But all of these things proved to be failure. The net result was that the country became net importer of food items. The migration of population from rural to urban areas took place and productivity declined sharply. Former Shah had, in fact, aimed to modernize Iran through rapid industrialisation. Agriculture sector could not

get due attention of the planners. This sector was grossly neglected.

Now, in the post-Islamic revolution period, the Islamic Republic of Iran having realised the importance of agriculture in the country, has been paying special attention towards agriculture. The government has introduced land distribution programme and paid attention towards the solution of water problem of agricultural sector. Therefore, agricultural sector during the last seven years has achieved high average growth rate of 7 per cent per annum. However, government could not get rid of its dependence on food imports. Though production increased as a result of bringing more land under cultivation, yet productivity was very low as compared to international standard.

The Islamic Republic of Iran introduced support price in order to protect farmers from the middle-men and gave subsidies, seeds, fertilizers, farm machinery, etc., through cooperatives.

The rise in prices of oil has increased the demand for agricultural products and has also increased country's capacity for rapid transformation of agriculture. But the country still imports food and other products. On an average Iran has to spend about US \$ 2 billion a year on import of food items. Though enough funds are available for investment in agriculture and enough has been invested during previous

Plans, the country has not yet achieved targets of agricultural production.

The purpose of this study is to analyse the strategies adopted in past and assess the success and failures. The studies made so far have emphasised on land reforms and have hardly touched other aspects of agricultural economy. Eventually an attempt has been made to put forward suggestions for change in strategy.

### Research Methodology

The present proposed research work is an analytical and descriptive study. Relevant material, data, statistics and information have been collected from various primary as well as secondary sources. I have consulted the publications of United Nations, F.A.O. and various other national and international organisations. In order to have a cross check and eliminate the element of exaggeration, a comparison of the material published by the Government of Iran and outside Iran has been made. I have made use of original sources in Persian language.

As far as raw data are concerned, the government sources, like the Ministry of Agriculture, Economy, Commerce, Information, Plan Organisation, Bank Markazi Iran (Central Bank of Iran), other related financial institutions, Geological

Survey of Iran, different international organisations, and their publications have been tapped.

### Framework

Keeping in view the scope and objective of the study, the work has been divided into five chapters.

Chapter first deals with economic background of Iran and examines in detail the agrarian condition during 1920s, 30s, 40s and 50s, and the steps which were taken to improve agriculture prior to 1960.

Chapter second discusses in detail system of land tenure in Iran in respect of share-cropping system and security of tenure.

The objectives and implementation of land reform law of 1962 under three phases has been analysed in chapter third. It also discusses the steps taken along with land reform programme.

The effect of land reform programme about ownership of land and size of holding, agricultural production and productivity, income distribution of rural and urban population, are discussed in chapter four.

The last chapter is based on conclusions drawn in the preceding chapters of present study and gives summary and conclusion.

## Chapter I

### IRAN'S AGRICULTURE AND EARLIER ATTEMPT TO LAND REFORMS

Iran, prior to 1935 known as Persia, lies in the southern part of northern Temperature Zone between 35 and 40 degrees of latitude North, and because of its geographic position on the earth's surface and the special nature of its topography, it is classified as an arid and/or semi-arid zone. The mean annual precipitation in Iran is only about 25-30 centimetres -- the equivalent of only one-third of the world's mean of 86 centimetres. Iran is traditionally an agrarian economy where oil presently dominates the money-based economy. It is potentially one of the richest countries of the Middle East.

In Iran, out of a total area of 165 million hectares, 19 million or 11.5 per cent of the land is under cultivation, out of which about 5.3 million hectares is irrigated with traditional water supply system known as ganat and modern system of water storage and supply. The rest of land which is mainly in western provinces of the country is used for rain-dependent agriculture. Two bleak stony deserts, the Dasht-e-Lut and Dasht-e-Kavir, eat into Central and Southeastern Iran, covering one-sixth of the entire country. These deserts have the reputation for being the least life-supporting in the world.

A highly evolved system of under-ground channels, known as ganats has been the traditional means of exploiting ground water. These channels, constructed in soft alluvial soil and upto 50 km long, bring water from foothills to cultivated areas relying solely on the gradient. The great advantage of the ganat system was that the channels could be built up at times of surplus rural labour. Roughly one-third of all irrigation as late as early 1970s relied on ganats. However, with the rural exodus and the increase in labour costs, ganats have suffered seriously because they are labour-intensive and require constant maintenance. As a result, a quarter of the ganat system has become inoperative through lack of adequate repairing.

Agricultural activities in Iran may be divided into two main sectors -- arable farming and animal husbandry. These two sectors together produce a variety of food, cash crops and industrial raw material. Arable farming is dominated by the production of wheat (which covers about 60 per cent of total cultivated land) and barely (which covers another 15 per cent of the area). In the remaining 25 per cent of arable land, a large variety of crops, including rice, cotton, sugar-beet, oil seeds, pulses, fruits, vegetables and tobacco are cultivated. Cotton and rice (which are two most important cash crops in Iran) top this list with percentage share (respectively) of 3.5 and 3.3 per cent in total land. Livestock farming consists mainly of sheep, goats and poultry production. The supply of mutton has been dominantly contributed by this sector, although



wool, leather, dairy products and poultry are also among the outputs.

Iranian agriculture has always been partly settled and partly nomadic. At the beginning of the nineteenth century, the settled and nomadic rural populations were roughly equal, but by the end of that century there had been both absolute and a relative increase in settled agricultural population. They were about 6.0 and 2.5 million respectively in the first decade of the twentieth century. In consequence of the centralist policies of Pahlavi rule (1925-1979) there was a further absolute decline in the nomadic population. Reliable statistics are not available. However, by 1963 there were probably no more than 1.5 million nomads in the country. The state policy of enforced settled led to armed resistance, symbolised by the revolt (in the mid-1960s) by the Qashqai nomads in the southern province of Fars. But once the Qashqai revolt had been ruthlessly crushed, there could be no effective resistance against the settlement policy. However, the organisation of some settled agriculture is also tribal, and tribal agricultural activities can be both nomadic and non-nomadic. According to a 1976 estimate, the total tribal agricultural population was about 5 million, or 28 per cent of the entire agricultural population.

Agrarian condition in Iran during 20s & 30s:

The First World War had a devastating effect on Iran. The country was used as a battlefield by the Turks, Germans, British, and Russians and many Iranian were killed and invading armies ruined agricultural areas. Peasants were taken from fields and forced to work on military roads and other war projects. Irrigation works, which required careful upkeep, were destroyed in many areas. The size of livestock and total cultivated area decreased. It also caused a fall in urban enterprises and population. The central government became weaker in the war period and thus local land-owners and tribal Khans rebuilt local armed forces and reasserted power of feudal control.

Russian forces from Iran were called back during Russian Revolution. The British, who were trying to create a virtual protectorate, were stopped by Iranian nationalists and American hostility. The nationalists, reformers and radicals started to launch their movements due to war and post-war crisis in the country. These movements had varied goals from each other and also lacked nationwide characteristics.

A coup in 1921 put down radical movement which had taken power in the north. The strong man of the New Government had himself declared monarch, under the name of Reza Shah in 1925. The new regime was supported by those, who wanted to build a strong and efficient nation without undermining the economic position of the landlords or the middle class. As it was

pointed out by one scholar that the rule of Reza Shah meant a change in power from a tribal-feudal group to middle-class intellectual (new) landlord coalition. The regime initiated a policy of disfavour to tribal leaders, peasants, urban lower classes, and the clergy, but favoured the intellectuals, the urban and semi-urban middle class and landowners.<sup>1</sup> The necessity for some economic and social reform merely to retain national independence and unity was clear to Reza Shah and his followers. Economic life was stagnant, social structure was essentially the same as before war, and in relation to the West, Iran was more backward than ever.

The suppression of the post-war population movements and the institution of a centralized government with strong police power had put down lower-class discontent, discouraged agrarian reform in 1920s. Agriculture recovered very slowly from the wartime and there was decrease in production also, which was not overcome until 1925.

In the 1920s, however, the growth of westernized groups and of demands for fundamental change encouraged Reza Shah to launch an impressive programme of reforms and modernization outside the agricultural sphere. Modernized law codes, improvements in transportation and communication, the end of tariff limits and treaty privileges for foreigners laid the basis for industrial development in Iran. In the agricultural sphere, on the other hand, Reza Shah relied on the support of old and new

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1 Nikki, R. Keddie; Iran: Religion, Politics and Society, Frank Cass and Company Ltd., London, 1980, p.166.

landlords and made himself the largest landlord in Iran. Many of his measures strengthened the position of the landlords. For example, the government passed a law, declaring that 'any village which had been in the continuous possession of one man for thirty years' becomes his private property. This, in fact, legalised expropriations accomplished since the mid-nineteenth century. In some areas there was still a feudal division of ownership. This law, together with other laws of 1928 and 1929, required registration of property, supported claims to land by the rich and powerful over those peasants and tribemen previously considered as having some rights of possession on the land they worked. The wealthy were able to register land to which peasants had old titles. The upper classes had influence in the courts and were bureaucrats. They could prevail easily their viewpoint. The land registration laws were a step to modernization accomplished at the expense of peasants.

The Civil Code of 1928, still unaltered despite of its incompatibility with recent land reforms, also strengthened the position of landlores. Like the Registration Laws, the Civil Code recognised possession as proof of ownership rights, and helped in confirming acts of usuraption. The Code had no provisions protecting the peasants or insuring them of any minimum share of crops and the section of the Code dealing with crop-sharing agreements was weighted in favour of the landlords. Tenants were legally liable for keeping harvests at a certain level and for carrying out the terms of share-

cropping agreements, regardless of obstacles. The Code assumed a written contract between landlords and tenants, but such a contract was not in common practice. Generally, there were no contracts, and the tenants had to comply with the landlord's interpretation of an informal oral agreement.

The only agricultural laws of the 1920s which encouraged modernization, were the exemption of agricultural machinery imports from customs duties and of industrial crops from taxes. These laws favoured the development of large-scale capitalist farming, but in fact, few mechanized or unified farms had begun. The old system continued to be highly profitable, as the labour was extremely cheap. The exemption of certain areas from land taxes did not help peasants who not being owners, were no longer directly responsible for these taxes.

From 1930 onwards, Reza Shah launched a programme of industrialisation which gave the country its first modern factories and railroads. His programme of army modernization and education and social reform continued in the 1930s. Yet, despite some impressive economic achievements, the position of the great majority of the population that lined off the land did not improve the social structure. The industrialization programs itself were limited by the lack of an expanding national market, and it provided only a bare beginning towards overcoming Iranian backwardness.

The key to Iranian backwardness remained agrarian in

nature which encouraged low productivity, medieval methods and investment in land and usury. A study of Iranian agriculture made in 1934 shows an increase of traditional evils, with government supporting, rather than reforming, the old systems. According to this detailed work, based on observation and primary sources, large landlords having several villages owned about one-half the land (estimates for the 1950s are usually higher suggesting the continuation until recently of forces leading to concentration of landownership).<sup>1</sup>

There were several methods of exploitation of the peasantry, all of which have continued to the present. Direct peasant proprietorship was rare, and found mainly on marginal lands. Even peasant owners were under the thumb of the local landlords, and their economic position and agricultural methods were quite similar to those of tenants. Middle proprietors owning 'only' one village were usually descendants of headman and other rich peasant and nomads. Even when they lived in the village, these proprietors put only 5 to 10 per cent of their land under direct cultivation with hired labour and improved tools. The majority of the land of middle and large proprietors was sharecropped by tenants. Sharecropping contracts were nearly always verbal, unclear, and designed to keep the tenants from accumulating any surplus.

In a few relatively prosperous areas in north, there was another system of exploitation according to which the peasant

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1 Nikki R. Keddie, op. cit., p.169.

paid a fixed rent. This allowed the peasant to accumulate some surplus and was opposed by landlords. The collection of rent by an intermediary was much more prevalent and continually growing. This consisted of a short term contract by renter, often of the middle class from a landlord, the renter then sub-contracts to the peasants. This system is a logical result of the increased holding for which the landlord could not be directly responsible. Over half the total land was estimated to be rented this way, including most of the state and waqf land. Renting hurt cultivation, since it encouraged high profits on a short-term basis and discouraged any investment and improvements. Renters generally treated peasants more harshly than did landlords, who had more interests and remained alive and active over a longer period.

By 1930s the peasant village in Iran was a purely agricultural unit. The peasants usually worked for one landlord. The land was periodically redistributed in most areas, so that peasants had no permanent state in any plot. The work of the tenants was under the constant supervision of landlord-appointed agents. The village headman -- Kadkhuda -- who had once represented the villagers to some degree, was now a landlord appointee, as was the official in charge of water distribution.

The traditional method of distribution of output was based on the 'five input rule'; the inputs being land, water, seeds, oxen and labour. The landlord would take the shares of

land and water, the peasant would take the share of labour, and the two shares of seeds and oxen would go to their suppliers. In practice, the mode of distribution diverged from this rule, though not the extent of making it irrelevant, primarily because there existed a varied across region. The peasant's share varied from one-fifth to seven-eighths of the crop, depending on where he lived and what he supplied. The peasant was also to pay feudal dues, state taxes and share of local officials, so that his final portion was meagre.

Peasants' condition was bad throughout the plateau, but they were much worse in south and east than in the north and west. Housing and health conditions were quite unsatisfactory and inadequate, bread and rice were the only staple foods, and peasants were usually hungry. Landlords had in fact control over the peasants' lives. Settlement of the nomads, carried out by Reza Shah often reduced them to the economic level of the peasants.

No agrarian reforms were attempted in the 1930s except a few technical improvements were made, when the government realized that the state land were bringing in a little income, they were put on the market in 1934, but the terms on which only the large proprietors could afford. A relatively painless way to inaugurate land reform through the sale of state land to peasants on easy terms was thus avoided.

A law in 1935 stated that the village headmen were the landlords' representatives and were responsible for law and



order in the villages. No provision was made for peasant participation in village administration. A gesture towards increasing low agricultural productivity was made by a 1937 law making landlords responsible for proper cultivation of their estates, by Iranian standards, on pain of confiscation for neglect. Landlord opposition prevented this law from being put into effect and the rules for reinforcing it were never drawn up.<sup>1</sup>

In 1937, in the province of Sistan, an attempt at land reforms was made through the sale of state lands to peasants. So many complaints came from the peasants about landlords flouting the law that Reza Shah set up investigating commissions. They took no action to ensure that peasant got the land. Instead, landlords, and government officials were able to use their power to takeover the state lands. Though various forms of pressure, such as withholding needed water from the land. Many peasants were expropriated. Productivity and living standards also fell. Peasants in Sistan who retained their land, however, said in the mid-1950s that, bad as their lot was, it was still better than it had been before they became owners.<sup>2</sup>

The only agricultural reforms carried out were aimed at increasing productivity. In 1937 law encouraged the improvement of badly cultivated land and wasteland through agricultural loans. A few agricultural schools and experimental stations

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1 A.K.S. Lambton, Landlord and Peasant in Persia, Oxford Univ. Press, Oxford, 1953, pp. 190, 193.

2 Ibid., p. 252.

were founded. These measures had minimal results, and in 1940 an ambitious Five Year Plan for agricultural development, which aimed at raising productivity substantially, was launched. The Plan was interrupted by the War, but the record of the 1930s made it doubtful that it could otherwise have reached its aims.

#### Agrarian Condition During 40s and 50s:

The anomalous and economically harmful state of agrarian relations became more acute after 1941, when Reza Shah abdicated and the Anglo-Russian occupation began. World War II put another severe strain on the Iranian economy and brought a new rise in nationalist and reform movements with revolutionary attempts, including agrarian reforms in some areas. As after World War I, the situation led to a politically conservative, Western-supported government which repressed its enemies on the left while promising, and to some extent, producing economic reforms. Many of the trends discussed above continued in the post-war period. Wartime inflation and scarcities meant further loss of land and growing debt. The main economic burdens on the peasant are debts, rents and taxes and these burdens have tended to increase until recently. The processes leading to peasant indebtedness are well described by Lambton:

"The peasant performs all the operations concerned with the production and disposal of his crops himself... His need almost always forces him to take the price offered however disadvantageous it may be.

"Inadequate communications and costly means

of transport greatly add to his costs of production and make it difficult for him to do anything but sell his goods at the nearest market at whatever price is offered. The almost permanent state of need and the series of temporary arises which are the normal concomitant of peasant life force him to dispose of his produce immediately after harvest, if it not already pledged before. This means that he has no alternative but to sell or barter his surplus crops at period when prices are lowest... he then has to buy when prices are at their peak.

"It is thus not surprising that debt should be one of the curses of Persian rural life."<sup>1</sup>

A peasant proprietor was almost forced to borrow money for seeds, tools, livestock and for meeting other current expenditure. The tenant, paying exorbitant rents, was also forced to borrow in order to feed himself and his family. High interest rates and low peasant income made it difficult for the peasant ever to repay the principal on such loans. These high rates not only impoverished the peasants, but lured capital from productive ventures and directed it towards the economically parasitical field of money lending. The fact that investors including often turned to unproductive uses of their funds does not necessarily mean that they were following traditional cultural values irrationally.

The post-War growth of large landholding increased the kind of middleman renter operations described for the 1930s. Renters and subcontractors forming a nonproductive hierarchy

1 Ibid., p. 379-380.

over the peasants took over more of the agricultural surplus, without doing anything to increase productivity. Renting and usury remained most profitable occupations for those in the middle class who did not have enough capital to become landlords. Even landless sharecroppers increasingly sub-farmed their shares to labourers or sharecroppers, who supplied only labour, while the original sharecropper generally supplied animals and tools while landlord land and water.

Until the mid-1950s the lack of capital investment in agriculture resulted in a decline in irrigation and hence of cultivable land in many areas, increasing population pressure and peasant dependence on the good-will of the landlord or his agent. Not only was there insufficient annually cropped land for the agricultural production, but low yield compounded the problem. Despite high migration to the cities, a growing number of villagers were reduced to the ranks of landless labourers.

With the growth of mechanization of dry-farming in 1950s and 1960s, population pressure on the land has increased in the some areas. In Iran machinery has chiefly benefitted landlords and hurt peasants who have often been evicted, although large tracts of marginal land brought under machine cultivation have provided some new employment for labourers. The continuation of a regressive system of primarily indirect taxation has increased burdens on peasantry.

Profiting from this agrarian situation has been a whole galaxy of middle-men, Oversears, village headmen, rich peasants, tax officials and moneylenders. The most direct beneficiaries of the exploitation of the peasants and tribal people have been large landlords and tribal Khans.<sup>1</sup> New groups of merchants, contractors, bureaucrats, army officers, and village officials bought up land from the 1920s through the 1950s, and became a new landlord class. The landlords were reputed to treat their peasants worse than before, in order to seek short-term profit at the expense of land and peasants.

Most of the landlords continued to be absentees, concerned with receiving the maximum profit without any investment after the original land purchase. Coercion and dishonesty in elections in the past insured landlord control of the Majlis and the purchase of land by government leaders and army officers reinforced the ties between landownership and political power.

Between 1906 and 1960 a number of ineffective land-reform laws were passed (as indicated before), although the Crown Land Distribution Programme (1951 to 1963) was claimed to be successful. According to official sources, the royal estates with their 2,100 villages were sold to their peasant cultivators in lots. In order to support their families

1 The composition of the large landlords group changed significantly after World War I. Since Reza Shah confiscated the lands of those old families who refused cooperation.

and for a price ten times the value of the landowner's harvest share which was paid over a 25 year period. From 1951 to 1962 some 517 villages and farms (25 per cent) were redistributed and in 1963 a further 289 villages (14 per cent) were given to peasants (Table 1.1).

The 1951 royal decree was intended to set an example for other landed proprietors and in 1966 the government responded by preparing for a distribution of the Khaliseh land. Previous governmental attempts from 1927 to 1950, was to redistribute Khaliseh land in Sistan, Khuzestan, Luristan, Kirmanshan and Dasht-e-Moghon had been unsuccessful because the land was often misappropriated and subsequently acquired by landowners and merchants rather than by the peasants.

The 20 December 1955 Law for the sale of Khaliseh land changed all this, authorising the distribution of all public domain except pasture, natural forests and buildings or properties needed by government agencies. The law was based on the transference of land to its cultivators in maximum units of ten hectares in irrigated areas and 15 hectares in dry farming regions. Minimum unit size depended on the relationship between the cultivable village land area and the number of persons eligible to receive it. In the villages, where land was insufficient only resident farmers received it, whereas in larger villages, other groups including the resident farmers, male children, and khaushnishins (landless peasants) also received the land.

Payment was to be made over a 20 year period and the price was fixed according to the land area and fertility by a Ministry of Agriculture Provincial Supervisory Committee and it could not be sold or transferred for ten years. Supporting services were to be financed by a cooperative fund to which each peasant landowner was to contribute in proportion to his annual income.

This law was only implemented in 1958 and had a very limited impact. In 1959 bill for distribution of public domain (khaleseh) was government's second step towards carrying out a land distribution. The Bill was passed in National Assembly (Majlis) which was largely made up of landlords without the specific opposition by them. According to official records of this Bill, 157 out of the total 1,757 kheleseh villages were distributed to 8,366 peasants by the end of 1963 (Tables 1.1 and 1.2).

Prior to 1960, inflation and balance of payment difficulties were beginning to creat serious political problems. By mid-1960, government turned to the U.S.A. and International Monetary Fund for help. But none of these were prepared to assist unless some stabilization and social reform programme in accordance with their socio-economic and political interest were adopted. Unemployment and higher cost of living were causing urban discontent in many opposing groups. Thus, the Shah seemed to be concerned not only with economic crisis, but also with the basic social and political problems threatening his regime.

Also under the pressure, both internal and external, and for seeking prestige on internal as well as external levels, the land distribution suddenly became the central programme of the government at the start of the Third Five Year Plan. In fact, the government's Third Five Year Plan, which began in September 1962, had not investigated a land distribution programme even in the remote future. According to Baldium, "when the Third Plan was being written nobody guessed that the most important, most expensive programme in the agricultural sector would be something not even mentioned in the Plan."<sup>1</sup>

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1 G. Baldium, Planning and Development in Iran (New Jersey), Princeton Univ. Press, 1971, p.53-62.



TABLE 1.1

THE NUMBER OF EX-CROWN VILLAGES DISTRIBUTED BETWEEN  
1951-1962

Year	No. of villages distributed	Region	No. of acquirers	Distributed area in hectares
1951	1	Varamin	146	1,241
1952	11	Varamin	708	4,919
1952	1	Damavand	127	127
1953	3	Karadj, Khanlog, Takistan	1,778	11,600
1954	21	Fariman, Gorgan e Gonbane Kavus	2,203	20,401
1955	21	Gonban e Kavus, Gorgan	3,594	18,593
1956	24	Gorgan, Sari, Varamin	4,074	38,764
1957	21	Bojnurd, Gorgan	2,828	9,989
1958	51	Gorgan, Mazandran, Bojnurd	3,475	19,224
1959	85	Amal, Gorgan	6,204	19,111
1960	122	Mazandran (Shah- swar)	12,936	4,480
1961	117	-	1,608	41,947
1962	39	-	2,522	9,342
TOTAL	517		42,203	1,99,638

SOURCE: Bank e Omran va Taavan e Rustai, Bahman, 1336 (Feb. 1958); Tir 1338 (June, 1959); Khardad 1341 (June, 1962), Tehran, quoted in C. Gharatchehdaghi, Distribution of Land in Varamin, Germany: C.W.Leske Verlag Opladen, 1967, p. 57.

Table 1.2

NUMBER OF VILLAGES AND FAMILIES CONSTITUTED  
THE EX-CROWN LANDS

Province		No. of villages	No. of Families
Fars	...	19	1,200
Kerman	...	191	4,250
West Azarbaijan	...	315	6,365
Tehran	...	428	4,424
Gilan & Mazandran	...	1,214	32,878
TOTAL	...	2,167	49,117

SOURCE: Echo of Iran, "Distribution of Land in Iran and those opposed to it", Echo Report, No.25-26 (August 10, 1959), p.4, quoted in M. Zonis, Political Elite of Iran (New Jersey: Prince Univ. Press, 1971, p.55).

Note: This statistics did not include the agricultural holdings of the ex-Shah, nor the vast holdings of his family.

## Chapter II

### LAND TENURE SYSTEM

Before agrarian reforms in 1960s, about 15.5 million people (65 per cent of the total population) lived in 55,000 villages. Most of the villages were closed to outside influence and had a rigid socio-political structure, being owned by a relatively small number of large landowners. The landlords controlled village affairs by employing administrative agents to protect their interests as well as to safeguard village stability having supervisor, local activities. The villages contained some 2.4 million house-holds of peasant sharecroppers who comprised the labour force for the cultivation of nearly all agricultural land (than estimated to be 11.3 million hectares). The average size of farm cultivated by share-cropping household was calculated to be 47 hectares.<sup>1</sup>

Broadly speaking, the large landowners fell into four main groups:

1. First group; the first group consisted of members of the ruling family and the leading members of the official

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1 H. Khazaneh and A. Sadat, Pishbini va Gozashteh Negary Jamiat Shahri va Rustai Iran ta Sale-e 1990, Tehran, Iran, Statistical Centre of Iran (Persian), 1973, p. 27.

classes, both military and civil, who had obtained their land by conquest, inheritance, gift, or purchase or had acquired it during the course of office; they were for the most part absentee landlords.

2. Second group: The second group was made up of tribal leaders, who sometimes also belonged to the ruling family or to the official classes, and had acquired their land in the same way; they were less frequently absentees than the first group, but in so far as they took part in seasonal migrations, were inevitably absent from their landed properties for long periods, and in measure, as they became settled, tended to become absentee and to be centered in the capital or some provincial town.
3. Third group: The third group consisted of members of the religious classes, whose properties derived originally mainly from grants and pensions from the State, inheritance, purchase and sometimes from the usurpation of waqf property; they were usually absentees.
4. Fourth group: The fourth group was of merchants, whose property derived mainly from purchase and sometimes from their transactions as moneylenders; their purpose in the acquisition of land was usually to gain social prestige, security of investment; they too were absentees.

So, we can divide ownership of land in the following categories:

1. Khaleseh (public domain) either confiscated by the State in lieu of taxation or acquired by State purchase.

2. Amlak-e-Saltanati (Crown lands) acquired by the monarch and belonging to Royal family.
3. Waqf (Endowment land) alienated to support a foundation for a group of 'poor men' or 'an institution of public interest for pious purposes (waqf-e-aam) or for the donor's family (waqf-e-khas).
4. Amlak or amlak khososi (private estates) belonging to individuals, families or firms.

In addition to these groups, there were large numbers of smaller landowners, who either had acquired land as servants, or bailiffs, of the large landowners or else were shopkeepers and tradesmen, members of the professional classes, or minor government officials, who had inherited land or investment in it to supplement their income from other sources. Lastly, there was a small class of peasant proprietors, who were not, however, to be found in all parts of the country.

The distribution of villages in Iran within these categories is difficult to establish, because the exact number of villages in Iran is still something of a mystery, estimates ranging from 48,500 to over 70,000 in addition to 22,000 mazraeh (independent farms). In 1956 census, however, Crown lands contained about 4 per cent of all villages, public domain about 10 per cent, endowment lands about 10 per cent and private holdings the remaining 76 per cent (Table 2.1).

According to Hobb's estimate in January 1962, about 90 per cent of the arable land in Iran was owned by less than 5 per cent of the population.<sup>1</sup>

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1 John H. Hobb, "Land Reform in Iran: A Revolution from Above", Orbis, vol. 7, No. 3, 1963, p. 619.

Table 2.1

ESTIMATE OF THE DISTRIBUTION OF VILLAGE OWNERSHIP IN  
IRAN BEFORE THE LAND REFORM PROGRAMME

Form of ownership		Number of villages	Percentage
1	Public Domain Lands	...	5,500 10
2	Crown Lands	...	2,200 4
3	Endowment Land (public/private)	...	5,500 10
4	Private ownership	...	41,800 76
TOTAL		...	55,000 100

Source: C.Salmanzadeh, Agricultural Change and Rural Society  
In Southern Iran, Middle East and North African  
Studies press Limited, England, 1980, p.60.

Baldwin<sup>1</sup> mentions that before land reform, there were 200 families owning more than 100 villages each (a total of one third of all villages in Iran). Another 10,000 villages were owned by landlords possessing between 5 to 100 villages each and approximately 7,000 villages were owned by landlords holding between one to five villages each. In fact in 1962 an estimated 60 per cent of Iranian farmers owned no land and another 23 per cent owned less than one hectare of cultivated land.

There were many kinds of gradations in the size of the landed estate, from the district to the village or part of landowner. Many of the large landlords were extremely wealthy; some of the small landowners, on the other hand, were no better off than the more prosperous peasants. In the country as a whole the dominant form of landownership was that of the large landowner. In those areas in which irrigation problems were difficult, as, for example in parts of Kerman where the ganats are long and the cost of their upkeep heavy, the land was mainly, if not entirely, in the hands of large landowners. This was also the case in the wheat growing areas of Western Iran. Small landowners tended to be found in those districts around the towns which were less fertile. Peasant proprietors were on the whole confined to remote areas in which agriculture offered a low

1 George Baldwin, "Planning and Development in Iran", Baltimore, Maryland, USA, The John Hopkins Univ. Press, London, 1967, p.94.

return, as, for example, in mountain districts or on the edge of the Central desert.

It was not unusual for landowner to hold several villages, but for a variety of reasons, notably the fragmentation of large estates by inheritance, many of the large landed estates consisted of parts of different villages. When a large estate was split up into several shares, these were sometimes delimited, but frequently they were held a joint or musha tenure by the heirs of the original owner, each having a right to a specific share of the capital and the income but not to a specific portion of the land. In such cases, one of the joint holders would usually be responsible for the running the estate.

#### Share-cropping system

From early times the relation between landlord (landowner) and peasant was based on a crop-sharing agreement (mozareh). Another type of relationship was based on fixed rent (ejareh). In any case the payment to the landlord was usually made partly in kind and partly in cash. (Table 2.1). Crop-sharing agreements, which were recognized both by Islamic law and by the Civil Code, were mainly regulated by local customs. Five elements -- land, water, seeds, draft animals, and labour -- were taken into consideration in fixing the shares of the two parties. A great variety of practices was found influenced by the nature of the farming, whether dry or irrigated, by the type of irrigation, whether by river, water, qanat or



well, and by the type of crop grown in the case of grain, the division of the crops was made on the threshing floor. The landlord's share of summer crops, on the other hand, was usually decided by valuation.

A third party was sometimes interposed between the peasant and the landlord in the person of gavband. He provided the draft oxen and was a kind of manager, having an agreement with the landlord on the one hand, and with peasants on the other. He usually managed several ploughlands. The gavband was not widely found, however, except in some districts near Tehran.

The sharecropping system was different from region to region. In northwest part of Iran, the landlord takes one-third when he provides land or two-thirds when he provides, land, water, oxen and seeds. In the case of unirrigated land, he receives only the traditional fifth (panjyak). In Kermanshah the peasant providing labour and seeds and landlord paying, the division was equal, where the landlord provides only land, the peasant received five-sixths. In southern Iran the division by thirds was common, but in Kazerun district, the landlord may receive only one-tenth from winter sowings, while the tenant pays all expenses, including taxation, the cost of reaping, if not borne by the tenant, was reckoned at 20 per cent, and threshing at 2-4 per cent.

In some areas, the landlord levied dues in addition to

a share of the crop, and the peasant was also subject to certain personal services which were derogatory to human dignity. They were levied for the most part on the ploughland, more rarely, they were assessed on the basis of the family or as a pool tax. The most common was the hability of the peasant to transport the landlord, share of the crop from the threshing floor to the granry or the local town. To most onerous of the personal services was labour service or bigari.

State lands (khaleseh) and wagf lands were for the most part leased. The relation of peasants on such land to the tenant, was virtually the same as landowner on the private property. The administration of private or personal wagf differ little from that of private landed estates. Frequently, one of the beneficiaries would administer a private wagf on behalf of the others.

Irrigated garden lands were leased on different conditions from ploughland. A cash rent was usually paid for the land and water, but differed little from that of private landed estate.

It must noticed as most of the agricultural land of the country was held by large landowners, the state, and religious endowment, large scale farming have to be practiced, but it was not the case. In real practice a general control or supervision was often exercised by the landowners. Seeds were sometimes purchased and the crop marketed centrally, and investment in irrigation was made by one source.

Table 2.2

TYPES OF TENURE SYSTEMS IN IRAN, BY NUMBER AND  
AREA OF LAND HOLDINGS, 1960

Type of tenure	No. of land holdings		Area (Hectare)	
	000	%	000	%
Share-cropping ( <u>Mozareh</u> )	814	43.4	6,222	54.8
Owner-operated ( <u>Melki</u> )	624	33.2	2,976	26.2
Fixed rental ( <u>ejareii</u> )	235	12.5	844	7.4
<u>Mixed Tenure</u>	204	10.90	1,316	11.6
Ejareii-Mozareh	73	3.9	568	5.0
Melki-Mozareh	79	4.2	397	3.5
Melki-Ejareii	48	2.6	295	2.6
Mozareh-Melki-Ejareii	4	0.2	56	0.5
TOTAL	1,877	100.0	11,358	100.0

Source: First National Census of Agriculture, October, 1960, Tehran (Persian).

Note: Number of holdings without land is not included (which is more than 5,08,000 and about 21.2 per cent).

Table 2.3

CLASSIFICATION OF NATIONAL LAND HOLDINGS, SIZE AND BY NUMBER OF  
LAND HOLDERS AND RURAL FAMILIES IN 1960

Total Rural Families		...	...	3,218,460	100 %
No. of peasant families with cultivation rights (Nasag-dar)				1,934,916	60 %
No. of rural families without cultivation rights (Khosh-neshin, etc.)				1,283,544	40 %
Size of holding	No. of land holdings	%	No. of peasant families with cultivation rights	%	
0.5	312,791	16.70	302,731	15.60	
0.5-1	179,515	9.60	177,288	9.20	
1-2	256,496	13.70	257,080	13.30	
2-3	208,471	11.00	211,587	10.90	
3-4	144,356	7.70	147,453	7.60	
4-5	121,630	6.50	125,041	6.50	
5-10	340,037	18.00	352,635	18.20	
10-20	223,757	12.00	241,801	12.50	
20-50	77,714	4.00	96,661	5.00	
50-100	8,446	0.40	15,070	0.80	
100-500	3,770	0.20	6,469	0.33	
500	310	0.02	347	0.02	
TOTAL		100.00	1,934,916	100.00	

Source: First National Census of Agriculture, October 1960, Tehran.

Nevertheless, in the main the large estates, like the small ones, were run on the basis of ploughland or the peasant holding. Thus none of economic advantages of large land-ownership applied. Methods of cultivation were primitive and combined with unfavourable physical conditions, resulted in poor yields. A few landowners specially from about 1952 on, began to turn to the use of tractors and combines in the grain-growing areas, but their number was small except in Turkomansaray.

The amount of the crop available for sale or barter was usually extremely small. In the case of the crop-sharing peasant, what remained to him after the deduction of the landlord's share and the payment of various dues was often insufficient to maintain his family until the next harvest. The peasant usually performed all the operations concerned with the production and disposal of his crops himself. He was extremely sensitive to seasonal and other variations in price. His poverty prevented the accumulation of reserves. He was thus seldom in a position to drive a bargain, but was forced by need to take whatever price was offered, however, disadvantageous it might be. Inadequate transport made it difficult for him to sell his goods any where but at the nearest market. The almost permanent state of need and temporary crises that were the normal concomitants of peasant life forced him to dispose of his products immediately after harvest, if it was not already pledged before. Barter system

was common, specially with travelling merchants and local shopkeepers.

The peasant was constantly in need of money for capital requirements to replace livestock and agricultural implements, and for current expenses such as the provision of seed. For these proposes he often had to borrow. Often, he had to borrow merely to feed his family. In such cases, the harvest sometimes sufficed only to pay off his debts, in bad years, it did not even do this, and so that peasant remained permanently in debt. Loans were normally raised on the security of the next harvest. Rate of interest were high. In some cases, but by no means all, landowners gave advance to the peasants working on their land. Terms varied and were often disadvantageous to the peasants.

### Security of tenure

Security of tenure is the matter of vital concern to the peasant. Some slight security was provided to the peasant in Iran under law regarding crops which he might have sown, but he did not have real security of tenure in practice in most of the areas. In fact, the landlord (or lessee) could turn peasant out at will except in some areas. However, custom gave the peasant a little protection in some areas and laid down certain rules.<sup>1</sup> For example in Kerman the peasant's share

1 For example in some areas if a landowner was given permission to a peasant to cultivate lucerne, it was tacitly recognised that the peasant had a right to the land as long as roots of the crops remain in the ground, which with some types of lucerne may be seven years.

of crop was divided into three parts known as abdar, kishtdar and bardar.<sup>1</sup> Thus if peasant was turned out even on Iranian New Year, he was entitled to one-third of his full share. This in turn was recovered by the landowner from the peasant who took over. It was alleged that the peasant in Kerman could only be turned out at the New Year (i.e., March or in September to October).

The peasant enjoyed certain customary rights of occupation in some areas. In Azarbayjan, such rights were known as Jiver and represented a peasant who brought land under cultivation on the landlord's estate and worked on it for some years. For most of the parts, these rights were acquired by virtue of the labour which the peasant had put into the land and referred to fruit-trees, vines, which had been planted by the peasant, but not to the land itself. If the landowner wanted to evict a peasant who had jiver rights, he had to pay him compensation, the amount of which was decided by argument. Further if the landlord sold his land, the new owner was not able to deprive the peasant of his right. These rights moreover could be transferred by the peasant to a third person. They could also be registered, in which case they were no longer merely customary, but legally recognised. In a few areas around Tehran, similar occupancy rights were found. In Khuzistan and Fars provinces, generally the peasant had no

1 Abdar means the return due for preparation of land for cultivation, Kishtdar means the return due for sowing and tending of crop, and Bardar, means due for reaping and harvesting of crop.

security of tenure. In Mazandran any clearing made in the forest, by custom the person who performed this work was entitled for some rights. This right so acquired was known as haqqe-taber tarashi, that is, the right derived from the falling of trees. In some areas peasants who cultivate the arable land of a village on a crop-sharing basis or against the payment of a rent, enjoyed certain privileges over these inhabitants of the village who were not crop-sharing peasants or tenants, who were known as "khushnishin". The farmers, who hold garden tend to hold them on more favourable terms. For example, in Lakhan (Arak), the crop-sharing peasants paid dues of Rials 6 per vine and the khushnishin paid Rials 50 in 1945.

Further, although the peasant had no right to transmit his holding by inheritance (except in few areas). If the holder of a plough-land or a sharer of the water died, it usually happened that the landlord made an agreement with one of his sons, who continued to cultivate the land which his father cultivated before him. Moreover, where the peasant was able to transmit his holding by inheritance, since the holding was a unit which in theory could support and be cultivated by a family, the usual practice was for one member of the family to succeed to the holding, and to work it on behalf and with the help of the others. Subdivision beyond a certain limit was avoided in the same way as it was avoided in the peasant-proprietor areas. Eviction, although



the peasant had for the most part no legal security of tenure, was not usual. The reasons for this were probably two-fold. In the first place tradition was strong, and was not the custom for the landowner to turn his peasants out, in the second place, the pressure on the available land was not great except in certain areas. In some places, there was a shortage rather than superfluity of peasant. In west of Iran in neighbourhood of Kirmanshah, on the borders of Kurdistan, there was a shortage of peasants and the land was not cultivated to its full capacity.

So far as security of tenure concern for most part of the country, however, the peasant tenure was not guaranteed, even for a period, much less permanently. He might have spent his whole life time in one village, but the land which he cultivated would vary annually or periodic redistribution was made by lot.

### Chapter III

#### LAND REFORM IN IRAN SINCE 1962 AND ITS ASSESSMENT

Mohammad Reza Shah, who ascended to modernize the country through industrialisation and bring about a complete 'White Revolution Programme' to bring about revolutionary change by touching every aspect of life of Iranians. This was very ambitious programme to bring about revolutionary change through bloodless revolution. He also paid attention to the agricultural sector under this programme. This programme was split into twelve points which are as follows:<sup>1</sup>

1. Abolition of the peasant-landlord tenure system and the re-distribution and sale of the peasants (on easy terms) of all landed estates in excess of one village.
2. Public ownership of all forest lands of the nation for the purpose of conservation, proper management and better utilisation of their resources.
3. Public sale of state-owned industrial enterprises to private corporations and individuals to raise funds to finance agrarian reconstruction and development programme creating profitable investment opportunities for former landlords in

1 12 Points for Progress - Iran's White Revolution, 2nd Ed., Illustrated by Ali Massoudi, Ministry of Information, Tehran, Iran, October 1968, p.1.

particular and for small savers in general.

4. Incentives for increased labour-productivity by means of profit sharing arrangements between industrial workers and management to the extent of 20 per cent of net corporate earnings.

5. The amendment of the electoral law so as to grant voting and other related rights to women, extending equal and universal suffrage to all Iranian citizens regardless of sex.

6. The formation of education corps from High School teachers and multipurpose village-level workers in rural areas, combating illiteracy, superstition and ignorance.

7. The formation of Health corps from physicians and dentists to bring free medical attention to rural areas, improving sanitary conditions and health standards.

8. The formation of development and agricultural extension corps to modernize the physical structure of the villages and help farmers acquire new skills necessary to raise farm productivity.

9. The establishment of village courts to hear minor local cases so that they may be settled programatically, equality and speedily bringing the rule of enlightened modern law to the villages.

10. Nationalisation of country's water resources for the purpose of conservation of fresh water supply through modern

scientific practices assuring judicious use of water in agriculture.

11. An extensive reconstruction programme in urban and rural areas to improve living standards of the whole nation.

12. A complete administration and educational reorganisation of government agencies to meet the more exacting requirements of the time.

The systematic land reform programme was launched in Iran when the government enacted the Land Reform Act on 9th January, 1962. The measures were introduced for the land reform through the legal provisions of this Act in the country. It is thus marked as the first phase of the land reforms. Later in 1963 some additional articles were also passed by the Parliament in connection with the land reforms. Land reforms have been made in the light of not only Land Reform Act but also in the light of incorporation of these Articles. This has been considered as the second phase. The third phase covers the period from the date of the introduction of the Bill in 1968. We would, therefore, like to study the land reform programme in the country under these three phases.

#### FIRST PHASE

After the special organisation for land distribution programme launched by Ministry of Agriculture in 1961, the First Phase of the land distribution covered the period

(1962-64). According to this law, all land holdings of over one village were to be transferred to government for resale to the peasants. Article 2 of the law<sup>1</sup> provided "The upper limit of real property per person shall be a "six dang" village<sup>2</sup> that the landlords may choose among their villages to remain in their possession. The rest shall be distributed in accordance with present law. Excluded from the law were orchards, tea plantations, woodlands, homesteads and mechanized farming areas using wage labour. The exemption of mechanised farms was apparently intended to encourage their expansion and to encourage improvements in the level of farm technology.

Compensation was paid for surplus land by the Land Reform Organisation in amounts depending on taxes paid and a multiplier. The multiplier taken into account for determination of certain factors such as the distance from village to city, village revenue and peasant/landlord crop division patterns. In general, compensation was around 100 to 180 times of the average of last three years' tax payment prior to 1962. Compensation was paid over 15 years in annual instalments corresponding to 7 per cent of the principal sum plus 6 per cent interest by Agricultural Bank. However, payments could only be used to purchase shares in government factories, to pay taxes, or as a security against bank credit

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1 The original law stipulated 1,000 and 2,000 hectares for irrigation and dry land respectively.

2 In Persian law, any piece of real estate is divided into six shares of parts, known as dangs. The area of the one village which the landowner could retain would include six dangs, or he might retain parts in several villages, amounting to six dangs in all

for investment in mining industry or agriculture.

The suitable recipients (who had to be members of a local cooperative society) for expropriated land were defined as zari-e-sahib nasaq, peasant sharecroppers, who provided a factor of production in addition to their own labour, their heirs if death occurred within 12 months of redistribution; other sharecroppers, agricultural labourers and non-farming villagers who wished to become farmers, although in reality the beneficiaries were nearly always former sharecroppers and their heirs. This system of allocation did not disturb the field layout of the village, where each peasant cultivator held ownership rights on a musha (joint ownership of land shares) basis. The Land Reform Programme actually gave him a land title and not unconditional absolute land ownership rights.

The price paid by recipients was the government purchase price plus a maximum 10 per cent commission over 15 years period. The redistribution process was thus substantially self-financing. Holdings could not be transferred or sold until the full price had been paid.

Any land transaction effected after the approval of the law was declared null and void and landlords who refused to prepare a declaration on their land-holdings or who filled in false declarations were fined 1,00,000 rials.

The 1962 law first carried out in the north and centre,

where it started a real change in the land system. The shock tactics succeeded upto a certain point. During the first drive the power of the landlords was broken in the north and shaken in the centre, the south and east were not affected.

According to official statistics, upto September 1963, 8,042 villages (16 per cent of the total) wholly or in part, had been purchased from landlords, and 271,076 peasants families had received conditional titles of ownership, 2,088 cooperative societies had been set up in the villages with membership of 243,302 persons and a capital of 250 million rials. Most of this action had been taken immediately after passing of the law, 7,500 villages (wholly or in part) were purchased and distributed within the first seven months-quick work by any standard. Land was granted to the peasants in conditional title to a fraction of the land of the village (usually not to a specific area) according to the area which they previously cultivated as occupying tenants. Full title was granted when the purchase price was fully paid.

After the initial shock, landowners were able to use two common methods of evasion: transfer of property and pressure on the peasants. Under the 1962 law, transfers of large estates were illegal after date of enactment but antedating must have been possible (some landowners presumably carried out transfers to members of their families as a result of the 1960 law, which allowed transfers within two years after

enactment. The second method of evasion was to evict peasants from the holdings which they occupied by forcing them to sign a document stating that they were agricultural labourers (i.e., not crop-sharing peasants), thus renouncing their claims to land under the law, even when these claims were in process of settlement. Both of these methods have been used in India to prevent enforcement of ceilings and tenancy legislation, in Iran they were not used until the reform had already been partly enforced.

However, the first phase did not adequate measures in acquiring the additional villages for landlords or the extra total area occupied by them, limiting landownership to one village throughout the country meant that in places where landlord had decided to retain one of his villages, where the old landlord-peasant relationship remained as strong as ever.

Majority of peasants were shocked by this programme because more than 75 per cent of rural families were not benefitted under this law. And according to law, 930,000 hectares of garden, 1,000 hectares of mechanized large-scale farm, and 1,000 villages were not subjected to the land distribution programme. In case of personal wagf, the maximum area from which clergy could draw revenue was limited to one village.

Under the first phase of land reform programme only 9,000 villages (about 16 per cent of the total) were affected while



the status of the vast majority of peasants remained unchanged. It was not wise to ignore the difference created among those who received land and the majority of the peasants who had been left without land. Under the phase 4,070 villages and farms in whole were bought from landlords and 11,760 villages and farms, in part, were bought from landlords at 10,350 million rials. These were sold to 707,000 peasant families. Therefore, 1962 villages and farms (1,576 in whole and 386 in part) of public domain were sold to the 91,185 peasant families at 1,356 million rials. The government, therefore, further amended the Land Reform Laws through the "Additional Articles" (17th January, 1963) which, when put into effect in February, 1965, formed the second phase of the land reform.

## SECOND PHASE

In 1963 first of all three Articles were incorporated in the Land Reform Act 1962, and later two more Articles were passed and included laying down the procedure by government under the Law and they began to be applied in 1965. The new land ceiling was defined as from 20 to 150 hectares. The maximum areas laid down in different regions are as follows:

1. Rice land in Gilan and Mazendran	20 hectares
2. Environs of Tehran, Varamin, Damavand, Rei, Shamiran, and Karaj	30 hectares
3. Other land in districts listed in 2 above	70 hectares
4. Environs of provincial capital except Kerman, Sanandaj and Zahidan	50 hectares

5. Districts of Gurgan, Gumbad, the Mughan steppe, and land other than rice in Gilan and Mazanderan	40 hectares
6. Khuzestan, Sistan and Baluchistan	150 hectares
7. All other regions	100 hectares

Annexed Articles decreed the owners of non-mechanised land which were not subjected to the purchase by the government in the first phase land distribution must dispose of or manage their land in one of the three ways as follows:

1. Rent the land on a 30 year lease to the occupying peasants for a cash rent, based on the average income received by him for the preceding three years, this rent to be subject to revision every five years.
2. Sell the land to the occupying peasants by mutual agreement.
3. Divide the land between himself and the peasants in a same proportion as the crop was divided under the traditional crop-sharing (that is to say, if the peasant's customary share was two-fifths of the produce, the landlord should grant two-fifth of the land to the peasants at the highest rate for the region in ten equal annual instalments). Water rights were to be assigned with the land divided between the two parties. Credit was to be supplied to assist peasant purchase. Mechanized land within the village was exempted from the provision of the Articles.

In the case of wagf land, an important category only Course 1 was permitted, with a leasehold tenancy of 99 years

and as a result conditions of tenancy have improved on land in this form of tenure.

The Annexed Articles also opened new loopholes for evasion of the original law. In Article 22, had decreed that no landlord had the right to expel on any grounds a peasant from a village or land which he cultivated, or to prevent him from cultivating and it had allowed exemption from the provision of the law for land cultivated by machinery only if it was so cultivated at the date that the law came into force. But a note to the first of the Annexed Articles allowed landowners in the village retained under the first phase to keep on area of land under mechanized cultivation upto maximum of 500 hectares. This meant that landlord could plough once with a tractor, perhaps borrowed for the occasion and claim that cultivation was mechanized, they could then evict peasants from land (as they have since done on a large scale around Tehran and Isfahan and in the south).

So the Annexed Articles offered uncertain benefits to the peasants and certain benefits to landowners.

The regulation for implementation of these Articles was issued at the middle of 1964. The regulation offered the landowners two other good possible courses of action, in addition to three methods listed above.

4. The formation of an agricultural unit with agreement of the majority of the peasants and landowners to be run as a unit by a managing committee consisting of three

persons, one representing the peasants, one the landowner or land-owners and a third being chosen by mutual agreement by the two parties.

The shares of each person in the total income are to be determined by their ownership of the different agricultural elements in accordance with traditional system (fifth part rule). Thus they will receive the same share as in past.

5. Buying the peasants rights and employing them as wage labourers. That is completely reversal of the original law.

Under the second phase in case of leased land (73.5 %) 232,366 landlords let their lands to 1,243,961 tenant peasants, and in case of sold land (1.2 %) 3,202 landlords sold their lands to 55,953 peasants families; and in case of divided lands (8.0 %) 25,359 landlords divided their land with 157,598 peasants in proportion to the share croppers respective share of crops; and in case of the joint-stock units (13.2 %), 41,615 landlords had set up joint stock units with 81,292 peasants families in 3,952 villages. In case of the land sold by peasant (4.0 %), 13,374 peasants sold their right to landlords. About 8,564 farms and villages of public endowment were let for 99 years to 137,173 peasant families and 957 farms and villages of private endowment were let to 35,931 peasant families, and 9,544 villages were exempted from distribution (mechanized farms 1,225, unutilized villages 6,236, and villages dominated with garden and tea plantation

2,083). As result of the second phase, implemented in 54,833 villages and 21,850 farms, only 213,551 peasant families got titles of the land and 13,374 peasant families lost their position as a farmer.

To sum up the second phase of the programme did not sustain the aims of the first phase, it has suffered from many complex and, extremely favourable attitude that they took for the landlords. The programme did not concerned with future form of the country's farm organisation and rational farm size, as objective usually associated with land distribution, e.g., measures to pursue the consolidation of dispersed land by the collective action of the farmers and to prevent the wide gap between the size of distribution of land among the peasants from less than 0.5 hectare to 100 hectare per family.

It has been found in many parts of the country that the dispersion of the parcels of land under one peasant's right have reached to 27 parcels in one village. For example, in rural area of Kashan, south of Tehran, 18.3 per cent of the farmers' lands are connected with 81.7 per cent of the farmers' farm are dispersed in many parts of the village.<sup>1</sup> In average, each family has plots of land in various places. In Meshhad, northeast of Iran, 9.0 per cent of the farmers have a connected farm and 75.0 per cent dispersed in many places.<sup>2</sup> This dispersion has been the worst obstacle to the modernization

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1 K. Vadii, Moghadameu bar Rusta-Shanasyi-e-Iran (An Introduction to the Rural Identification of Iran), Tehran: Dekhoda publications, 1973, p.79.

2 Ibid.

of the agriculture in Iran, under the serious shortage problem of water. The system of "traditional right to cultivation-Nasaq" has been the real cause of this dispersion and the land distribution programme could not solve this problem. Therefore, whenever a person visits the farmer in village he takes him to many places to show the plots that are located in different places.

With regard to the effect of the second phase, according to reports the majority of the landlords (73 per cent) chose the first course of action as laid down in the Annexed Articles that is the conversion of share-cropping to the fixed rental tenancy, some thing far from the slogan of "the land for cultivator". There have been many disputes over the fixation of the rent. The basis on which the rent was fixed was not favourable to the peasants. The rent might have been more than the share of the crop which formerly was paid by the peasants, because in case of loss, the cultivator was responsible and he had to bear the loss.

The second alternative was most favourable case for the peasants but it covered only 1.2 per cent, an insignificant portion of the landlords chose to sell their land to their tenants. Even in this case it was alleged that the land had been sold to people who were not occupying tenants, or that peasants had been wrongfully excluded.

The Third alternative, so called transferring of the

ownership of a parcel of his lands to his Raiyat in proportion to the raiya's respective shares of crops, was chosen by 8.0 per cent. The results were often worse for the peasants. It was chosen by landlords because the existing crop-sharing agreement gave the peasants a small share, often amounting to maximum of only one-fifth of the product. As the peasants cannot live on the small area which corresponds to those shares, they continued to work under tenancy agreement on the landlord's land, but without security. On the other hand, "the great mistake, however, in allowing this course of action at all is that it overlooked the possibility of the landowner taking over the water supplies. Even if he retains only a minor proportion of the land, he can, perfectly legally, sink a deep well which dries up the water in the ganat or ganats supplying the rest of the land. In this case, the land reform, originally intended to better the lot of the peasants, may in fact considerably worsen it."<sup>1</sup>

The fourth alternative, to set up joint farming units, was chosen by 13 per cent of the landlords. This was the other alternative most favourable to the landlords, because they could not envisage the peasants as independent and the old system of non-participatory agricultural organisation ruled by landlords. The fourth alternative, the 'agricultural unit', was the subject of much controversy among senior land reform

1 Warriner, 'Land Reform in Principle and Practice, Oxford: Clarendon Press, Oxford University, London, 1969, p.131.

officials, several of whom were opposed to its inclusion in the law of 1964, on the grounds that it would perpetuate the old system, while others wished to make it the only course to landowners, because they could not envisage the peasants as independent producers. It has been very rarely selected outside the provinces of Khorasan and Kerman, where it has been chosen in a few villages, as a rule those with a large number of small landowners, whose status is not much higher than that of the peasants, and in some villages on the edge of the central desert where economic conditions are very insecure. As to how these units would be managed there was uncertainty, for no regulations covering their organisation had been issued at the end of 1965. It was, however, intended to channel loans from Agricultural Credit Bank direct to those units, so that no cooperative organisation would be needed.

As Lambton pointed out "it was an ill-thought out method of settlement... Agricultural unit does not have legal personality and a managing committee seldom has effective existence... There have also been cases in different parts of the country of landlords putting pressure on the peasants, by various methods such as with-holding water, in the hope of forcing them to sell their rights".<sup>1</sup>

The fifth alternative, by which tenants could sell their cultivation rights to the landlords, was chosen by 4 per cent

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<sup>1</sup> Lambton, A.K.S., "Rural development and land reform in Iran", A paper presented to the CENTO Symposium on Rural Development, held in Tehran, 1963, p.148-149.



of the landlords. The danger of this alternative was obvious. As it was found in many parts of the country, landlords' collusion with government officials, could coerce peasants into selling their rights. As Warriner noted, "In the Darab district of Fars province in south part of Iran, collusion between landlords and local reform officials had resulted in about 5,000 peasants selling their rights because they had been given to understand that they had no alternative.<sup>1</sup> In other investigation, it was found that in northeast part of Iran (Turbat-i-Haydari) in 1965, large number of peasants were selling their rights, some under pressure, but many -- out of poverty -- because their holdings were too small and too poor to afford a living.<sup>2</sup>

The provisions with regard to the exemption of mechanised land both in the first and second phases of the programme were the other occasions for much abuse. Attempts were frequently made to claim that the land was mechanized when in fact was not, or it had only been mechanised after the programme began. Mechanised farm was defined simply in the law as, the farms which were being ploughed by tractors. Therefore, in the event of the land distribution programme landlords tried to buy one or two tractors for hundred hectars of land to be able to adopt this formal position in the law.

The process of the second phase of the programme did not

1 Warriner, op.cit., 1969, p.132.

2 Lambton, A.K.S., Rural Development and Land Reform in Iran, op.cit., 1963, p.148.

satisfy the wishes of an overwhelming majority of the tenants to gain the ownership of the land cultivated by them, on the other hand the subdivision and the unequal distribution of land between peasants continued to be the more pressing matter. But government from the beginning was not concerned with the equal distribution of the land. Under the procedure, the ownership of the land was granted to the tenants in conditional title in proportion to the land previously cultivated by them under the share-cropping system. Thus, majority of the rural people (35-40 per cent) who worked in farming as an agricultural labourer (Khushnishin) but had no cultivation right on the land were completely ignored under first and second phases of the land distribution programme.

### THIRD PHASE

Concerning the sub-division of holding the government instead of facilitating the cooperative farming by voluntarily collective action of farmers, decided to establish state-controlled, large scale agricultural organisation, called the farm corporation, comprising many villages. This can be called as the first measure of the third phase of the land distribution programme. The second measure under the third phase was a bill submitted to the Majlis in 1968. According to this law, all kinds of tenancies were abolished except the land owned by waqfs. In other cases, the course had been

adopted as such that firstly all estates leased their lands to the tenants for thirty years, secondly those who had already chosen to set up joint units under the second phase, thirdly, estates whose owners had not yet adopted a form of settlement, and fourthly the estates of unknown ownership were required either to sell all their lands to the tenants on the price to be determined by 12 times the annual rent, or divide the land between two parties in the proportion as the crop was divided under the crop-sharing agreement. The peasants receiving land under this law as the first phase were required to join the local cooperative society if and when this was set up by the Ministry of Land Reform and Rural Cooperation.

Under third phase, law stipulated the sale of the rented land under the legal status of 316,372 landlords and 1,154,578 peasant families was clarified. In connection with the law stipulating the division of the land between peasant and landlords. The legal status of 35,400 landlords and 110,347 peasant families was clarified. As a result of this phase, the legal status of 1,264,925 peasant families was clarified. Consequently, under the phases of land distribution in Iran, out of 3,600,000 rural families in 1973, 2,267,661 (63 per cent) of the peasant families obtained land or their legal status was clarified upto the March 1974.

In 1971, finally the government announced the land distribution programme to be closed, while many problems of the

land ownership and tenure system remained untouched.

The results obtained during the first phase -- upto March 1972 -- are summarised in table 3.1.

Data on the second phase are too vague to make any effective analysis, mainly because of the complex arrangements for disposal of land. However, it seems that about two thirds of the landowners based their holdings for a 30 year period thus retaining control over their land.<sup>1</sup> Ajami indicates that 72 per cent of estates (villages) were leased and 18 per cent were organised into joint farming units, 6.0 per cent were divided between landowners and only 1.4 per cent were sold outright to peasant cultivators. Peasant rights were sold to landowners in 2.6 per cent of the estates.<sup>2</sup>

The vast majority of both public and privately owned estates were similarly leased, the farmer for 99 years and the latter for 30 years.

Under the third phase, leased land was sold outright to peasant tenants, and a comparatively small percentage of landlords divided their holdings with their tenants.

Major steps were taken by the Government along with the implementation of land reforms including the establishment:

- 1 R.R. Hoepfner, "Aspekte der Agrarreform Irans" (Aspects of Agrarian Reform in Iran), Orient, Vol. 14, 1973, pp. 37-40.
- 2 Ajami, "Land Reform and Modernisation of the Farming structure in Iran", Oxford Agrarian Studies, Vol. 2, No.2, 1973, p.6.

Table 3.1

VILLAGE AND VILLAGERS AFFECTED BY THE  
FIRST PHASE OF LAND REFORM

Item		1972
<u>VILLAGES</u>		
Total number of villages	...	55,000
Villages exempted (mechanised farming)	...	1,100
Number of villages affected	...	14,290
- in whole	...	3,887
- in part	...	10,403
Number of villages equivalents	...	9,088.5
Per cent of total	...	16.5
<u>PEASANT WITH LAND RIGHTS</u>		
Total number	...	2,530,000
Number of beneficiaries	...	690,500
Percent of total	...	27.3

Source: Salmanzadeh, C., Agricultural change and rural society in southern Iran, Middle East and North African Studies Press Limited, Cambridge, England, 1980, p.66.

1. Rural cooperative societies,
2. Agro-business,
3. Farm corporations, and
4. Production cooperatives.

#### 1. Rural Cooperative Societies

The rural cooperative societies were established at the start of the land reform. The aims of these rural cooperative societies were stated to include: (i) provision of credit facilities because cooperatives were partially set up as a channel for supply of credit. The credit was allotted at a relatively low rate of interest. They provide more facilities establishing the Agricultural Credit Bank which was later converted into Agricultural Cooperative Bank, (ii) construction of warehouses in different parts of the country for storing and distributing consumer goods, agricultural inputs, and agricultural products, and (iii) to protecting the farmers from the unfair dealings with the middleman. Farmers used to sell their surplus production in the major wholesale markets and purchase their necessities from cooperatives.

In 1972, there were about 8,600 cooperatives which were established to cover 2 to 40 villages. The average membership stood at 200. The policy was to appoint the managing directors from among the residents of the villages. This policy avoided competition and brought mutual understanding among the peasants.

At the end of Fourth Development Plan (1968-73) there were 12 rural cooperative unions. Their membership increased from 5,985 to 7,961 while the capital rose from Rls. 280 million (about \$ 3.69 million) to Rls. 1.6 billion (about \$ 21.11 million).<sup>1</sup> These unions were located at the cities (shahrestan). Each union covered an average membership of about 60 cooperatives.

In 1973, with a view to efficiency a plan was made to amalgamate three to four societies to form a single society (the Plan also envisaged extending cooperative facilities to the areas which were not hitherto served).

During the Fifth Development Plan (1973-78), about 208 rural cooperative societies were created. The total number of rural cooperatives reached to 2,025 units. The membership of rural cooperative societies increased to 9,19,000.<sup>2</sup> During 1978-79, 17 new rural cooperative societies were formed, while their total membership increased by 39,000 persons. The total number of rural cooperative societies also increased, reaching to 2,942 during the period.

The Central Organisation for Rural Cooperation (CORC) operated with its offices both at the provinces (Ostan) and cities (shahrestan). A person who has passed high school has been selected and nine months' extra training was given at the Karaj and Shiraz Universities. He was appointed to effectively

1 Bank Markazi, Iran, Annual Report and Balance Sheet, Tehran, 1973, p.68.

supervise for two to three villages. However, before the establishment of rural cooperatives, the continuing lack of finance pressed the farmers to rely on private sources and also their landlords (malik). The peasants had to sell their crops as part of the loan agreements. Thus, falling victims of exploitation.

## 2. Agro-business<sup>1</sup>

In 1968, a law was enacted to help tackle the problem of water scarcity and soil management. The law empowered the Ministry of Energy to establish agro-industry companies. The government invited foreign companies and granted them 30 years' concession to make the maximum utilisation of water resources in the cultivation of land. The companies from the United States of America and United Kingdom, with sufficient finance and technical assistance arrived to develop the land for intensive mechanised farming. The whole programme was under the supervision of the Ministry of Agriculture and National Resources.

However, the land using facilities provided by dams or groups of well was known as 'Agricultural Poles Development'. These pole covered a very wide field including sericulture, poultry farming, fruit and vegetable production and processing, oilseeds production and processing, production of seeds and

1 Sometimes known as agro-industries. It has also been used to include meat and dairy complexes and large scale processing units.



flowers, and food industries. The areas of Fars, Kurdistan, Lorestan and Azarbaijan were selected as major poles for development.

### 3. Farm Corporations

The third model is farm corporation which is based on amalgamation of small farms with a view to (i) improve management, (ii) maximise use of farm machinery, (iii) introduction of scientific methods of agriculture, (iv) increase in water supply, (v) expansion of cultivated area, and (vi) improvement of marketing operations.

In February 1968, a law for the formation of farm corporations with 27 units covering 164 villages and 105,848 hectares of land out of which 37,801 hectares were under cultivation. There were 9,170 shareholders.<sup>1</sup> The policy intended to establish a total of 143 corporations. The corporations were designed to pool small and fragmented holdings for efficient use of agricultural inputs -- water, pesticides, and machinery -- to increase the yield and output, and to prevent further fragmentation. Consequently, they were established first in areas of small subsistence farming, so that the government could render an integrated service for increasing production.

The Farm Corporations have been functioning as Joint Stock

1 Decade of the Revolution (1963-1973), Resurrection of a Nation: A Miracle of Leadership, Echo Print, Tehran, Iran, p. 22.

Companies. The corporations used farmers' lands against payment. The amount of share to be paid to the peasants was measured on the basis of the value of land. However, farmers were required to participate by renting and even by selling their land to those farmers who were interested to join the Corporations. Membership was opened only to those peasants who got land through the land reforms.

It may be noted that a Farm Corporation could be established when a majority of peasants were willing to join the Corporation.

The Industries Corporations and Farm Corporations have been functioning both similar to each other as regard to their operation and management. But, farm corporation's managers, technicians and accountants were being recruited by the government. The government also financed the irrigation, drainage, roads-building and other village infrastructure. It also provided facilities for technical training. Similarly, soft loans were provided for investment in mechanisation, construction of warehouses, machinery shed, housing and current operational expenses on the basis of approved annual plan.

During the Fifth Development Plan (1973-78), the number of Farm Corporations reached to 93 units, while the Plan designated for 143 units.<sup>1</sup>

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1 Bank Markazi Iran, Economic Report and Balance Sheet, Tehran, Iran, 1978, op.cit., p.34 (Persian).

#### 4. Production Cooperatives

Established in 1972, production cooperatives have been a new experiment in Iran. The objectives of production cooperatives were to (i) consolidate the gains of land reforms, (ii) to develop agriculture, and (iii) to increase the welfare of farmers. Though these production cooperatives resembled to Farm Corporations, yet their mode of functioning have been primarily different.

In February 1971, the production law was approved<sup>1</sup> by the government and the first production cooperatives were established in 1972. Production Cooperatives undertook to join establishment of irrigation facilities, adoption of communal cropping pattern, joint cultivation, and marketing, etc.

The Fifth Development Plan (1973-78) envisaged formation of 60 production cooperatives. However, only 39 units could be formed. These production cooperatives emphasised on the initiative of individual farmers where each member could use his land according to the 'Manifesto of Production Cooperatives'. The land in this case remained in the ownership of the farmers, while in Farm Corporations, the area was operated under one unit, and farmers received no dividends or wages. Though the net income was divided among the shareholders. But in

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1 The main purpose of the production cooperative law was to provide an alternative to the Farm Cooperation in large scale agricultural production.

production cooperatives the gross production from individual farmers continued to belong to the respective farmers. In 1975, there were 24 production cooperatives which covered 126 villages and farm units consisting of about 37,000 hectares. As mentioned earlier, a total of 60 production cooperatives were designated during the Fifth Plan (Table 3.2).

Table 3.2

RURAL COOPERATIVE SOCIETIES, UNION, JOINT FARM CORPORATIONS AND  
PRODUCTION COOPERATIVES  
(1974-75 TO 1978-79)

TYPE	1974-75	1975-76	1976-77	1977-78	1978-79	Percent changes 1977-78 1978-79	
<u>RURAL COOPERATIVE SOCIETIES</u>							
Number	2,847	2,858	2,886	2,925	2,942	1.4	0.6
Membership (thousand persons)	2,488	2,685	2,768	2,983	3,022	4.0	1.3
Capital (Rls. million)	4,678	5,690	6,962	8,385	9,353	20.0	11.6
<u>JOINT FARM CORPORATIONS</u>							
No. of Corporations	65	85	89	93	92	4.5	1.1
No. of shareholders	22,778	32,506	33,663	35,444	-	5.3	-
Capital (Rls. Million)	992	1,381	1,420	1,515	-	6.7	-
<u>RURAL PRODUCTION COOPERATIVES</u>							
No. of Cooperatives	24	34	39	39	-	11.4	-

Source: Ministry of Agriculture and Rural Affairs, Central Organisation of Rural Cooperatives, Organisation of Joint Farm Corporation and Rural Production Cooperatives, Bank Markazi Iran, Annual Report and Balance Sheet, 1979, p.106.

## Chapter IV

### IMPACT OF LAND REFORM PROGRAMME ON AGRICULTURAL GROWTH

#### Distribution of Ownership and Holding

In 1960, between 35 and 40 per cent of the peasant population was khushnishin (i.e., those without a right of cultivation) and the rest was peasant (nasag-holding) cultivators who owned one-third of total agricultural land. Thus by aiming to distribute the remaining two-thirds among nasag-holders, the original land reform had intended to turn about 60 per cent of rural population into peasant proprietors owning all agricultural land in the country. As we have already seen, about 23 per cent benefited from the operations of the first stage of the land reform while others were left to use the provisions of the second stage for purchasing land directly from the landlords, entering partnership with them, selling their own rights to them, etc., consequently when the land reform officially ended, about 82 per cent of agricultural land belong to peasant producers, the remaining 18 per cent being owned by independent capitalist farmers (who were either former landlords or other who had purchased their estates from them) and the modern sectors (Table 4.10 )

Direct data for the proportion of peasant proprietors after the reform are not available. What is certain is that: (a) Khushnishins were not effected, (b) a certain proportion of peasants had owned their land before the reform, (c) 23 per cent of them received land through the first phase, and (d) 18 per cent of total agricultural land still remained outside peasant ownership after the reform. Thus, while some nasag-holders improved their position, the khushnishins now become legally (and finally) landless.

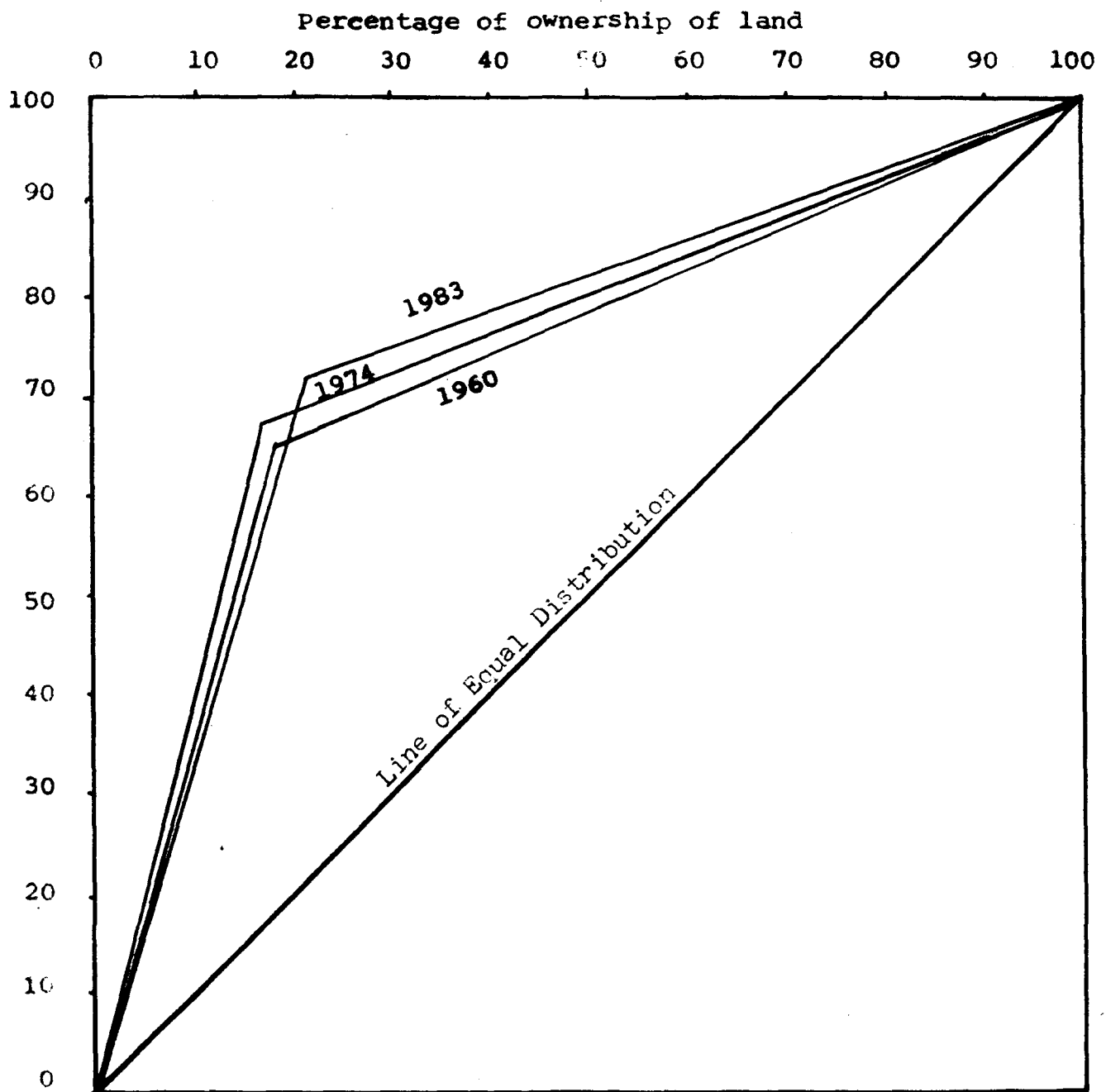
More significantly, it has been shown that the distribution of holdings was highly inequal before the land reform (1960) and that it became even more inequal after the reform (1974 and 1983). The effect of land reform laws are evident in Table 4.1 and Figure 1, which shows that the forms of agricultural ownership according to both ratio of ownership and area according to "Lorenze Curve",<sup>1</sup> and the result of concentration co-efficiency,

- 1 Lorenze Curve is a graphic method of measuring desciations from the average. It was devised by Dr.Lorenze for measuring the inequalities in the distribution of wealth. But it can be applied with equal advantage for comparing the distribution of profit amongst different groups of business and such other things. It is a cumulative percentage curve. In it the percentage items are combined with the percentages of such other things as wealth, profits, ownership.

In drawing the Lorenze curve the following steps are necessary: (1) The various groups of each variable should be reduced to percentages. Thus if it is desired to show the distribution of ownership amongst the various groups of owners should be reduced in the form of percentage of total owners. So also the ownership derived by these groups in terms of total ownership of possession of the country, (2) the two sets of the percentages obtained by step (1) should then be cumulated and cumulative percentages thus determined, (3) the cumulative percentage of these two variables should then be plotted along the axis of (y) and axis of (x). The scale along the axis of (y) begins from zero while the scale along the axis (x) begins

Figure 4:1

LORENZE CURVE OF OWNERSHIP DISTRIBUTION IN  
SELECTED YEARS



Source: Compiled on the table No.4.



regarding to Gini concentration co-efficiency during 1960-83. The Gini concentration ratio for the distribution of land among various holdings shows 0.52174 in 1960 and 0.6084 in 1974, and 0.55019 in 1983.<sup>1</sup> However, these ratios, and the growing inequality which they reflect, refer to the distribution of total agricultural land among all categories of holdings. The case of nasaq-holders as a group was somewhat different. First they collectively increased their ownership from 33 to 82 per cent of total agricultural land. Second, the distribution of land being inherently in favour of smaller farm sizes led to a gain by the lower and specially middle sized groups to large ones. The table 4.2 shows that as a result of land distribution, all sizes improved their share of the total,

- 1 (contd.) with (100) at the point of intersection and goes upto zero towards the right, (4) the points (100, (100) along the axis (y) and the points (0,0) along the axis of (x) should be joined by straight line. The line so obtained is called the line of equal distribution; and serves as the basis for distribution deviates from the ideal distribution given by this line. (5) the actual data may now be plotted on the graph in the ordinary manner and the plotted points may be connected by the means of a curve. Further, the curve obtained under step (5) is from the line of equal distribution, the greater is the deviation.
- 1 Gini Coefficient: One summary measure of the degree of inequality is the ratio of the shaded area in the figure the entire area under the line of the equal distribution. The measure is called Gini coefficient of concentration or ratio which is equal to:

$$\frac{\sum_{i=1}^n x_i \cdot y_{i+1} - \sum_{i=1}^n x_{i+1} \cdot y_i}{10,000}$$

where  $x_i$  = cumulated owners,  $y_i$  = cumulated area of ownership.

The measure remains the most widely used summary statistics for describing inequality. It is reasonable to conjecture representation that lorenze curve to it.

Table 4.1

FORM OF AGRICULTURAL OWNERSHIP DISTRIBUTION ACCORDING TO RATIO BOTH OWNERS AND AREA, AND RESULTS  
OF CONCENTRATION-COEFFICIENTS DURING 1960-83

Ownership classes*	1960			1974			1983					
	% of owners	% of area	Cumulative frequency owners	% of owners	% of area	Cumulative Frequency owners	% of owners	% of area	Cumulative frequency owners			
			$x_i$			$y_i$			$x_i$	$y_i$	$x_i$	$y_i$
<u>ALL OWNERSHIP</u>												
Less than 5 hectares	65.2	18.7	65.2	18.7	67.0	17.0	67.0	17.0	71.2	21.8	21.8	
<u>MEDIUM OWNERSHIP</u>												
- less than 10	18.1	20.7	83.3	39.4	17.0	20.7	84.0	37.7	15.5	21.5	86.7	43.3
10 - less than 20	12.0	27.2	95.3	66.6	11.4	25.7	95.4	63.4	11.2	33.1	97.9	76.4
20 - less than 50	4.0	19.6	99.3	86.2	4.0	20.2	99.4	83.6	1.5	10.4	99.4	86.8
50 - less than 100	0.4	5.1	99.7	91.3	0.4	4.6	99.8	88.2	0.4	5.5	99.8	92.3
Sum of Medium	34.5	72.6			32.8	71.2			28.6			
<u>LARGE OWNERSHIP</u>												
100 - less than 500	0.2	6.0	99.9	97.3	0.1	7.1	99.9	95.3	0.1	4.8	99.9	97.1
Above 500	0.0	2.7	100.0	100.0	0.0	4.7	100.0	100.0	0.0	2.9	100.0	100.0
Sum of large	0.2	8.7			0.1	11.8			0.1	7.7		
GNI		0.527429				0.608400				0.550180		

Source: Data collected and calculated from: (1) for 1960: First National Census of Agriculture, October, 1960, Tehran, Iran (Persian); (2) for 1974: O.T.W. Price toward a comprehensive Iranian agricultural policy, Report No.1 (Tehran); IBRD, Agricultural and rural development Advisory Mission, 1975; (3) 1983: SCI, Tehran, Agricultural Statistical Report, 1983.

The following considerations are essential while selecting class limits: (1) The class limits should be so set as to give mid-points which are representative of frequencies in the class; (2) Classes have to be mutually exclusive, there should be no confusion about where to place or find an item. Therefore, in setting the lower and upper limits of each class, there must be no overlapping. There should not be any ambiguity in statement of class-limits. For instance, if a class limit of ownership or possession group is stated as 5-10, 10-20 and 20-50, etc., it would create an ambiguity in the sense that it become impossible to figure out in which category any individual item of 10 or 20 hectares would fall. But if the class-limit is as described 5 and less than 10, 10 and less than 20, etc., it would avoid ambiguity and produce mutual exclusive classification.

it was the lower and middle sizes (and specially those between 2 to 50 hectares) that gained most.

To sum up, land reform increased peasant's share of land from about 33 to over 80 per cent and probably reduced the inequality of land distribution among the peasants but it also created a large class of landless agricultural labourers (khushnishin). Over 15 per cent of agricultural land was left to the landlords who turned it -- partly in words and partly in deeds -- into relatively large independent capitalist farms and the remainder was converted into modern 'agro-business and farm corporation' farming.

Table 4.2

DISTRIBUTION OF LAND OWNERSHIP AMONG NASAQ-HOLDERS  
(1960-72)

Size (hectares)		1960 (%)	1972 (%)
Less than 1	...	52	81
1 to less than 2	...	41	80
2 to less than 5	...	33	82
5 to less than 10	...	29	81
10 to less than 50	...	25	77
50 to less than 100	...	44	80
100 and above	...	67	80
TOTAL	...	33	80

Source: Azimi, Aspects of Poverty, Ch. 8, Table No. 2, p.337.

AGRICULTURAL PRODUCTION

The most important factor during 1963-78 influenced state policies and thus economic growth and structural change in Iran had been the rapid growth of oil industry and explosion of oil revenues. Oil was the independent variable of the development strategy which brought among other things,

a rapid change in the country's economic structure, the plight of the agricultural sector, a continuous rise in the rate of rural-urban migration, the creation of acute imbalances between and within various economic sectors, a higher capital output ratio, and an increasing rate of inflation.

During 1962-72, the real gross national product increased by an average rate of 11 per cent annually. For 1973 and 1974 the increase in GNP was higher than the previous year mainly due to rising prices of oil which caused over exploitation of oil resources. The average growth rate of agricultural sector during 1962-72 was 3.6<sup>1</sup> per cent while population growth rate was 2.9 per cent. This shows that there was more food available of the rate of 0.6 per cent in the country. But per capita food consumption of wheat, rice, sugar, milk and mutton at the same time declined due to rise in prices which rose by 21 per cent. Moreover, import of agricultural goods was doubled in the same period. This indicates that agricultural production has not increased at the rate higher than population growth rate during the decade.<sup>2</sup>

The relative decline of agricultural sector is clearly demonstrated by the data in tables 4.3 and 4.3a between 1962-77 per centage share of agriculture in GDP has declined from 26.6 per cent to 9.1 per cent. In 1977 agriculture and manufacturing together contributed less than 22 per cent of

1 Based on Bank Markazi Iran, National Income 1960-72, 1973, p. 24 (Persian).

2 Salmanzadeh, C., op.cit., p.23.

Table 4.3

## GROSS DOMESTIC PRODUCT BY SECTOR, 1962-72 (000 MILLION RIALS AT CONSTANT 1959-60 PRICES)

	1962-3		1967-8		1971-2	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
1. Agriculture	88.8	26.6	111.1	20.9	122.3	9.1
2. Manufacturing & Mining	41.5	12.4	72.5	13.6	111.0	12.6
3. Construction, water and power	16.3	4.9	33.8	6.3	50.4	5.8
4. Service	119.8	35.9	187.0	35.2	317.9	34.4
5. Oil	69.3	20.2	127.4	24.0	221.9	38.1
6. Total GDP at Factor Cost	333.7	100.0	531.8	100.0	830.5	100.0

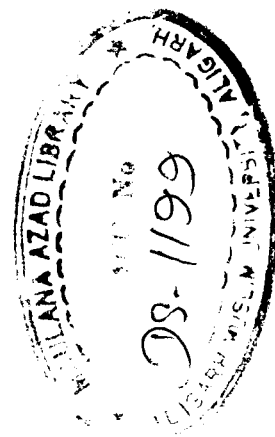
Sources: Based on Bank Markazi Iran, National Income of Iran, 1959-72 and Bank Markazi Iran, Annual Report, Various dates.

Table 4.3a

GROSS DOMESTIC PRODUCT BY SECTOR 1972-8 (000 MILLION RIALS AT CONSTANT  
1974-75 PRICES)

	1972-3		1975-6		1977-8	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
1. Agriculture	271.0	16.1	324.0	10.4	339.0	9.1
2. Manufacturing and Mining	224.8	13.4	360.9	11.6	468.2	12.6
3. Construction, water and power	108.6	6.4	171.6	5.5	216.1	5.8
4. Service	629.4	37.4	1,029.0	33.1	1,281.3	34.4
5. Oil	449.2	26.7	1,224.9	39.4	1,422.0	38.1
6. Total GDP at Factor Cost	1683.0	100.0	3,110.5	100.0	3,726.6	100.0

Source: Based on Bank Markazi Iran, Annual Report, 1977/8.



aggregate output, while services accounted for over 34 of it. The share of manufacturing includes both traditional and modern and both rural and urban manufacturing output. In 1977/8, the share of oil and services together was more than 72 per cent of the national output. The share of agriculture in GDP in 1972 increased from 88.8 billion Rials to 122.3 billion Rials and total GDP increased from 33.7 billion Rials in 1962 to 830.5 billion Rials in 1972 or something around two and-a-half time of 1962. The GDP rose from 271 billion Rials in 1973 to 339 billion Rials in 1977. Unfortunately, figures in Tables 4.3 and 4.3a are not comparable, because the base year differ. The Table 4.3 based on 1959/60 prices whereas Table No. 4.3a is based on 1974/75 prices.

Table 4.4 shows the annual growth rates of GDP as well as various sectoral components for under Three Plan periods. It can be observed that both GDP and its various components except agriculture grew rapidly throughout the period 1962-77. Agriculture grew at the rate of 4.5 per cent during the Third Plan period, 2.6 per cent during Fourth Plan period, while oil sector increased from 12.7 per cent during Third Plan period to 20.6 per cent during Fifth Plan period.

Table 4.5 provides a summary view of the composition and distribution of various types of agricultural activity in initial and terminal years of the Third Fifth Plan. It shows that throughout the fifteen year period, the share of

Table 4.

## ANNUAL GROWTH RATE G.D.P. BY SECTOR, SELECTED PERIODS (PER CENT)

	Third Plan Period (1962-7)	Fourth Plan Period (1967-72)	Fifth Plan Period (1972-7)
1. Agriculture	4.5	2.6	4.9
2. Manufacturing and Mining	11.2	11.7	14.9
3. Construction, Water and Power	14.1	9.6	15.2
4. Services	9.4	13.0	14.4
5. Oil	12.7	14.0	20.6
6. Total GDP at factor cost	10.0		

Source: Based on Bank Markazi of Iran, Annual Report, Various years.



crop farming and livestock production in total agricultural output have remained constant at 65 and 32 per cent respectively. But since the values are given in current prices, the near constancy of these shares conceals the fact that price of livestock products has increased much faster than that of crop output. This point may be verified from the figure in table 4.5 for the period upto the year 1971/2. Here the share of crop farming grew from 67 to 72 per cent, while that of livestock production declined from 32 to 26 per cent. And there is no reason to believe that this trend was reversed in latter periods.

The above tendencies are reflected in the total and sectoral growth rates of agriculture over the period 1962-72. The overall growth rate appears to have been 3.6 during 1962-71 and the growth rates of crop production and livestock were recorded as 4.5 and 1.7 per cent respectively.

As regards the performance of crop farming and livestock production, the following conclusions may be drawn. Firstly, the higher growth of crop production in the period 1962-72 tends to support the view that the original land distribution programme did not have an adverse effect on crop production whereas the subsequent "modernisation" schemes did (Table 4.5). Secondly, the better performance of crop output as compared to livestock production, over the whole of the decade 1962-72, may be explained (a) by considerable land reclamations over

Table 4.5

DISTRIBUTION AND PERCENTAGE SHARE OF AGRICULTURAL OUTPUT 1962-71  
(Constant 1959/60 Prices)

	1962		1963		1964		1965		1966	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Crop	59.4	66.9	63.0	69.8	63.3	68.7	70.7	71.1	74.0	71.8
Livestock	28.2	31.7	26.3	29.2	27.5	29.5	27.4	27.5	27.5	26.8
Forestry and Fishing	1.2	1.4	1.0	1.0	1.6	1.8	1.4	1.4	1.5	1.4
TOTAL	88.8	100.0	90.3	100.0	92.2	100.0	99.5	100.0	103.0	100.0

(Contd.)

TABLE 4.5 (Contd.)

	1967		1968		1969		1970		1971	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Crop	80.8	72.7	86.4	72.2	89.5	72.0	94.7	73.4	89.0	71.5
Livestock	29.1	26.1	31.3	26.1	32.0	25.9	32.6	25.2	33.5	27.0
Forestry and Fishing	1.2	1.2	2.0	1.7	1.9	1.6	1.8	1.4	1.9	1.5
TOTAL	111.1	100.0	119.7	100.0	123.4	100.0	129.1	100.0	124.4	100.0

Source: Based on Bank Markazi Iran, National Income of Iran 1959-72,  
Tehran, Iran.

Table 4.5a

PER CENT OF GROWTH CHANGE OF AGRICULTURAL OUTPUT  
(1962-71)

	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	(1962-71) Annual Compound Growth Rate
Crop	2.3	6.1	0.4	11.7	4.7	9.1	7.0	3.5	5.8	-6.0	4.5
Livestock	-1.2	-6.5	3.5	0.6	0.5	5.4	7.7	2.3	1.7	3.0	1.7
Forestry & Fishing	-7.7	-16.7	60.0	-12.5	7.1	-20.0	66.7	-5.0	-5.3	5.6	7.2
TOTAL	1.0	1.7	2.1	7.9	3.5	7.8	7.8	3.1	4.6	-3.7	3.6

this period and (b) by the phenomenal growth of the application of modern inputs (see table 4.5 and 4.6). Thirdly, the near zero growth rate of livestock output during period 1962-67 is likely to be the result of the set back to mutton and dairy production, in part as a result of the policy of enforced settlement of the nomadic population, and in part because many peasants were deprived of the use of natural pasture.

Table 4.7 shows that among these three cereal crops, i.e., wheat, barley and rice, wheat registered relative high productivity. During 1962-67 the production of wheat increased by 3.8 million tonnes, while it has shown a slight variation of -0.9 per cent during 1971-72. The period 1962-63 was recorded a production of 2.7 million metric tonnes. On the other hand per hectare yield during these three periods had also shown a great variation as high yield per hectare was recorded in 1967-68 and low yield per hectare was recorded in 1971-72.

Barley occupied second place. The total output per hectare during 1962-63 and 1967-68 had almost remained the same, while as in wheat during same period, the output per hectare was recorded a great variation. The production of barley was higher during 1967-68, i.e., 1.035 million metric tonnes, while a production of 0.76 million metric tonnes was recorded during 1962-63.

Table 4.6

THE APPLICATION OF TECHNICAL INPUT TO IRANIAN  
AGRICULTURE - 1962-74

Year	Nitrogenous, potash & phosphate fertilisers (Hundred metric tons)	Tractors (000 units)
1963	177.0	7.5*
1964	193.0	N.A.
1965	285.0	N.A.
1966	325.0	16.0
1967	623.0	17.5
1968	748.0	20.0
1969	810.0	20.0
1970	987.0	21.0
1971	1,813.2	21.5
1972	2,082.7	23.0
1973	3,514.2	106.6
1974	4,466.9	500.0

Source: Food and Agricultural Organisation,  
Production Year Book, various issues.

\* 1962.

Table 4.7

QUANTITIES OF OUTPUT AND THEIR GROWTH, SELECTED  
AGRICULTURAL PRODUCTS DURING LAND REFORM PROGRAMME

	1962-63	1967-68	1971-72	1962-72
1 <u>WHEAT</u>				
a) Quantity of output (Million metric tonnes)	2.7	3.8	3.7	-
b) Annual growth of total output (%)	-	5.8	-0.9	5.4
c) Output per hectare (kg)	720	1,050	700	-
d) Annual growth rate of output per hectare (%)	-	1.4	-0.1	0.6
2 <u>BARLEY</u>				
a) Quantity of output (Million metric tonnes)	0.76	1.035	0.9	-
b) Annual growth of total output (%)	-	8.3	-3.5	4.3
c) Output per hectare (kg)	830	830	721	-
d) Annual growth rate of output per hectare (%)	-	5.1	-6.6	-2.2
3 <u>RICE</u>				
a) Quantity of output (Million metric tonnes)	0.7	0.96	1.050	-
b) Annual growth of total output (%)	-	4.8	2.8	4.2
c) Output per hectare (kg)	2,000	2,549	2,727	-
d) Annual growth rate of output per hectare (%)	-	3.8	1.9	2.8

Next to barley comes rice. During 1971-72 the production in rice had shown an increase of 2.8 per cent over 1967-68 and low production of 0.7 million metric tonnes was recorded during 1962-63. But overall productivity of rice is not so satisfactory as compared to wheat and barley. Output per hectare of rice was low as compared to other two periods, i.e., 1967-68 and 1971-72.

On the other hand Table 4.8 gives a comparative assessment of yield per hectare of rice in Iran with other Asian countries. It is seen from table 4.8 that, rice has a satisfactory position of yield per hectare as compared to other countries. The yield per hectare of rice in Iran is only 1 per cent less as compared to India and is equal to that of China. While as it is about 35 per cent less than that of Japan and South Korea. On the other hand wheat and barley lagged far behind the per hectare yield with other Asian countries.

It would be very interesting to discover whether or not the 'modern' system of agriculture production turn out to be significantly more efficient than the traditional system.

Table 4.9 gives the amount of investment and percentage share of the agricultural sectors in development expenditure of the three Plan periods. On an average, only 10 per cent of the state plan funds were spent on agriculture. Furthermore, more than 50 per cent of the funds destined for agriculture



Table 4.8

COMPARISON OF YIELD OF MAIN CROPS BETWEEN IRAN AND SOME  
OTHER ASIAN COUNTRIES

(Unit: 100 kg/hect.)

WHEAT	RICE		BARLEY
Japan	26	Japan	24
North Korea	23	South Korea	21
South Korea	22	North Korea	19
Turkey	17	Turkey	19
India	14	China	15
China	13	-	11
Iran	10	Iran	10

Source: F.A.O., Agricultural Production Year Book, 1977.

Table 4.9

INVESTMENT AND PERCENTAGE DISTRIBUTION OF DEVELOPMENT  
EXPENDITURE 1963-1972

	THIRD PLAN (1963-7)		FOURTH PLAN (1967-72)		FIFTH PLAN (Excluding 1977)		AVERAGE (1963-76)	
	Amount	%	Amount	%	Amount	%	Amount	%
1. Total Agriculture	341	12.5	547	8.1	4,322	10.7	1,737	10.7
i) Traditional	(183)	(6.7)	( 250)	(3.7)	(1979)	(4.9)	(804)	(5.1)
ii) Modern	(158)	(5.8)	( 297)	(4.4)	(2343)	(5.8)	(933)	(5.3)
2. Non-Agricultural	2,387	87.5	6,210	91.9	35,075	89.3	14,891	89.6
TOTAL	2,728	100.0	6,757	100.0	40,397	100.0	16,627	100.0

Source: Based on Government of Iran, Plan and Budget Organisation.

were allocated to the modern which accounted no more than 2.8 per cent of the total agricultural land, and the rest to the traditional sector, which include independent (i.e., non-corporate) capitalist farms (see table 4.10).

Table 4.10

THE DISTRIBUTION OF LAND HOLDINGS BY SYSTEM OF PRODUCTION 1976

	Million hectares	Percentage share in total
1. Traditional (non-corporate)	17.2	97.2
i) Peasant	(14.5)	(82.0)
ii) Independent Capitalist	( 2.7)	(15.2)
2. Modern (Corporate)	0.5	2.8
iii) Farm corporations	(0.3)	(1.7)
iv) Agri-business	(0.2)	(1.1)
TOTAL (1 + 2)	17.7	100.0

Source: Based on the Statistical Centre of Iran, Agricultural Census, 1971 (compilation data 1973, in Persian), and Ministry of Corporate and Rural Affairs, Various Reports 1971-6 (in Persian).

Table 4.10 shows the distribution of land holdings among various system of agricultural production. In 1976, the traditional or non-corporate sectors held 97.2 per cent of the total area, while the modern or corporate sector held the remaining 2.8 per cent, 1.7 per cent of which was held by farm corporations, and 1.1 per cent by agro-businesses. However, the distribution of holding within the traditional non-corporate

sector itself may not be entirely accurate, direct data on the holdings of independent capitalist farms are not available, but indirect data (e.g., the size of holdings and the use of wage labour in production) indicate that this should be about 2.7 million hectares or 15.2 per cent of total holdings. Thus, peasant holdings accounted for about 82 per cent of the cultivated area. Finally, although data on the distribution of population and labour force among these various systems of production are not available, the capital intensive technology of the corporate sector and their insignificant share of total land holdings indicate that their share of the agricultural labour force must likewise have been insignificant.

Table 4.11 shows amount and distribution of state loans and non-returnable grants paid (over the period 1968-75) to the peasant and farm corporation sector. It should be noted:

Table 4.11

STATE LOANS AND GRANTS TO THE PEASANT SECTOR AND FARM CORPORATION-1968-75

	Total 1968-75 (million Rials)
1. The peasant sector: Loans	1,08,895
2. Farm Corporations	7,841
i) Free grants	(6,322) 81 %
ii) Loans	(1,519) 19 %

Source: Homa Khatauzian, *Agriarian Reform in Con-temporary*, Croom Helm, England, Table 8.13, p. 332.

(a) that 6,322 million rials or 81 per cent of total payments to farm corporations were in the form of non-returnable grants, and (b) that the remaining 1,519 million rials (or 19 per cent of the total) consisted 5 to 15-years loans carrying administrative interest rate ranging from 2 to 8 per cent but an effective interest rate was 1 per cent.<sup>1</sup> On the other hand, the credit extended to the peasant sector through the cooperative societies consisted entirely of short term (mainly annual) loans carrying on effective interest of 6 per cent, moreover, the total amount of loans to the peasants shown in Table 4.11 is almost certainly an over-estimate, it was a widespread practice among cooperative societies to record outstanding loan (which the peasants were unable to repay) as new credit.

The farm corporations, however, had a much smaller share of land holdings in the earlier years than they did in 1975. For this reason, figures in Table 4.12 showing the overall payments per hectare of land between 1968 and 1975 and their annual averages provide a better comparison.

Table 4.12

STATE LOANS AND GRANTS TO THE PEASANT SECTOR AND  
FARM CORPORATION (Rials) -1968-75

	Per Hectare 1968-75	Per hectare per annum
1. The peasant sector: Loans	7,810	939
2. Farm corporation: Grants	95,544	11,943
3. Farm Corporation: Loans	26,839	3,355
4. Total farm Corporations (2 + 3)	1,22,383	15,298

1 The     it was allowed to be reinvested by farms.

A main agency for the supply of low-interest, long- and medium-term credit was the Agricultural Development Bank. Theoretically, the Bank would lend only to those producers who owned not less than 500 hectares, but in practice, producers with smaller holdings could also have access to its loans and credits. Assuming that the Bank was prepared to lend to all farm size above 100 hectares, it has been estimated that 88 per cent of holdings, i.e., virtually the whole of the traditional sector, would have been excluded from the Bank's lendings. This being the case, peasant producers could hardly have access to ordinary commercial banks whose interest charges and other conditions for giving credit were in any case non-preferential.

The methods of payments and receipts were themselves very different in their social-economic implications, agro-business farm corporations and large capitalists farms received state grants and loan directly through their own managements, but peasants had to depend on the favours of the bureaucratic heads of their cooperative societies, who in turn had to depend on the heads of the cooperative unions, who in their turn had to depend on the higher officials in the Agricultural Cooperative Bank and the Ministry of Cooperatives and Rural Affairs. Apart from all this embezzlement and corruption were more easily possible through the cooperative network than through other systems, and the allocation of credit to peasants was generally influenced by the relative financial and social

standing of different groups of peasantry.

A consequence of lack of access to long term credit is low capital investment. Tables 4.13 and 4.14 show the pattern of distribution of capital stock among different systems of agricultural production.

Table 4.13

THE DISTRIBUTION OF CAPITAL BY VARIOUS AGRICULTURAL SYSTEM

	No. of Units	Total holdings (100 hectares)	Total capital (Million Rials)	Capital per hectare (Rials)
	(1)	(2)	(3)	(4)
1. Cooperative Societies	2,925	14,500.0	8,385	578.3
2. Farm corporations	93	300.0	1,515	5,050.0
3. Agri-businesses	4	63.5	1,700	26,771.6
4. Capitalist farms	N.A.	2,700.0	N.A.	N.A.

Source; Based on Bank Markazi Iran, Annual Report, 1977/8, (Table on p.102), Tehran.

From column 4 of table 4.13 it can be seen that in 1977-8, capital per hectare of land held by agro-businesses firms was 46 times, and that of farm corporations nearly 9 times, that in the peasant sector.

Table 4.14 extends the comparison of the membership of the peasant cooperatives societies and farm cooperations. The membership of farm corporations was only 1.2 per cent of the total membership of both systems taken together, whereas it

claimed 15.3 per cent of their total capital. The corresponding figures for the peasant sector being respectively, 98.8 of total membership and 84.7 per cent.

Table 4.14

THE DISTRIBUTION OF MEMBERSHIP AND CAPITAL PEASANT  
COOPERATIVE AND FARM CORPORATIONS - 1977-78

	Membership	Total capital (million Rials)	Percentage distribution of total membership	Percentage share in capital
1. Cooperative	2,983.0	8,385	98.8	84.7
2. Farm cooperation	35.4	1,515	1.2	15.3
3. Total	3,018.4	9,900	100.0	100.0

Source: Based on Bank Markazi Iran, Annual Report 1977/8, Table on p.102, Tehran, Iran.

The basic difference between the three systems were in the quality of land, the availability of water, the scale of production, the choice of technique, the mode of ownership, employment and distribution and the managerial organisation. The agro-business system was well endowed in land and water resources, used modern capital-intensive techniques, produced on a very large scale divorced ownership from management and labour and had a bureaucratic, management system. The same characteristics existed in the farm corporations system, though less strongly. In particular, the scale was smaller, technology relatively mixed, much of the labour was supplied



by smaller shareholders, and bureaucratic managers were to a limited extent bound by the corporate spirit. Finally, the traditional sector was dominated by small-scale production dependent on the use of traditional techniques and inputs as well as family labour, and in general suffered from very serious water constraints.

### Income distribution

The consequences of state policies towards agriculture since 1963 regarding the equitable distribution of rural income as well as for employment and levels of living of the rural population have been far from desirable goals. The difference in the general level of welfare (including private consumption and state services) between the urban sector and rural society rapidly increased and, specially after 1973, became more pronounced. Apart from that, there was an increase in the degree of inequality, between the nasdaq-holding peasants who had received land through the land reform and those (including khushnishins) who had not, the degree of inequality among the nasdaq-holders themselves also increased. Regional differences in rural incomes and welfare tended to get worse. Poverty and unemployment among the rural immigrants into towns -- itself being a consequence of agricultural depression and peasant destitution -- became the single most pressing social problem about which, however, absolutely not much was done.

Upto 1972 separate figures for urban and rural consumption were made publicly available. Since such data are not available for the latter years, we have obtained separate estimate for urban and rural consumption simply assuming that rural consumption has been equal total value added in agriculture and therefore that urban consumption is equal to the difference between total private consumption and value added in agriculture. The data presented in Table 4.15, which shows the percentage distribution of private consumption and population between urban and rural sector of the economy, has therefore been taken as indicator of general trends.

Though there are some limitations of data, we can draw the following conclusions. Firstly, there is clear evidence that rural-urban consumption inequality, already considerable in the initial period (1963) had significantly increased by 1978. Secondly, a large proportion of the growth of urban population was due to peasant migration into towns and the consumption of immigrant peasants was probably not much more than previously, hence the use of official figures for the urban sector's share in total population tends to understate the growth of consumption inequality between the two sectors. Thirdly, the welfare benefits of high and rapidly rising state consumption expenditure (not shown in the table) were almost exclusively enjoyed by the urban sector.

Some of the above conclusions can be more readily grasped from the distribution of private consumption per capita as

shown in table 4.16. In 1963, urban and rural consumption per capita were, respectively, US \$ 210 and US \$ 97 in 1978, US \$ 1,442 and US \$ 383. It has also been shown in table 4.17 that as such between 1963 and 1978 the ratio of rural to national per capita consumption fell from 0.7 to 0.4. These estimates are all based on current prices and in particular they do not take into account the deterioration of the terms of trade against agriculture over the period.

### Poverty and Unemployment

One consequence of the general agricultural and rural crisis was the flight of labour from the agriculture according to official estimates, about 1.7 per cent of the rural population has been migrating annually from rural to urban areas in recent years. Given a country-wide population growth rate of 2.9 per cent, the rate of growth of rural population (net of migration) was about 1.2 per cent per year.

We do not have specified data on rural unemployment, but it seems plausible to suppose that rural-urban migration essentially reflected deteriorating employment conditions in rural areas and operated as a mechanism for transferring poverty from rural to urban areas. In 1978, the country total labour force was about 10 million, out of it 3.5 million were in the rural sector. The official estimate of the general rate of unemployment was 9 per cent.<sup>1</sup>

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1 M. Naghizadeh, The role of farmer's self determination collective action and cooperatives in agricultural development, Tokyo, Univ. of Foreign Studies, Tokyo, Japan, p.329.

Unemployment, poverty and destitution in the urban sector has been regarded as a consequence of the crisis in agriculture. The peasant immigrants whose very existence on the edge of the cities went completely unrecognised. It has been considered not as section of the urban poor, but as impoverished of the peasantry. They had left for having better life in cities and towns, where they have been put in much worse conditions. It is often said that they have found nothing more than what they had left behind. These immigrants found themselves in economically and socially worst possible conditions; Neither they were provided adequate shelter nor reasonable employment. They are now in the position not even to think to go back because they have been badly uprooted by selling their property and assets owned by them in villages. Not only this much but more adverse conditions from their re-settlement point of view. Government's policy regarding their settlement providing adequate employment and housing facilities has been almost nil. It is very essential to adopt a clear-cut policy about their employment and income so that they can live with basic necessities of life.

Table 4.15

THE SECTORAL DISTRIBUTION OF PRIVATE CONSUMPTION AND POPULATION  
SELECTED YEARS (%)

	1963		1968		1973		1978	
	Consump- tion	Popula- tion	Consump- tion	Popula- tion	Consump- tion	Popula- tion	Consump- tion	Popula- tion
1. Urban	53.9	35.0	59.9	38.7	70.6	42.4	75.5*	46.1
2. Rural	46.1	65.0	40.1	61.3	29.4	57.6	24.5**	53.9
3. Total Private Consumption	100.0	100.00	100.0	100.0	100.0	100.0	100.0	100.0

Source: A.K.Ghose, Agrarian Reform in contemporary developing countries, Select Book Service Syndicate, 1984, p.338.

\* The difference between total private consumption and value added in agriculture, as percentage of total private consumption.

\*\* Total value added in agriculture as percentage of total private consumption.  
(Based on Bank Markazi Iran, Annual Reports, various dates, and official population statistics).

Table 16

THE SECTORAL DISTRIBUTION OF PRIVATE PER CAPITA CONSUMPTION  
SELECTED YEARS (1963-78)

	(US \$)			
	1963	1968	1973	1978
1. Urban per capita consumption	209.8	288.2	401.6	1442.2
2. Rural per capita consumption	97.3	123.1	161.8	382.8
3. Country-wide per capita consumption	137.1	186.9	316.0	892.2

Source: Based on Bank Markazi Iran, Annual Reports, various dates and official population statistics.

Table 4.17

SECTORAL PER CAPITA CONSUMPTION RELATIVE TO COUNTRY-WIDE  
PRIVATE PER CAPITA CONSUMPTION 1963-78- SELECTED YEARS

		1963	1968	1973	1978
1. Urban	...	1.50	1.50	1.60	1.60
2. Rural	...	0.71	0.66	0.51	0.40
3. Country-wide	...	1.00	1.00	1.00	1.00

Source: Based on Bank Markazi Iran, Annual Reports, various dates and official population statistics.

## Chapter V

### CONCLUSION

Agrarian reform in developing countries tends to be motivated by aspirations to transform traditional agriculture to modern one. Initially, the land reform in Iran had intended to reduce the size of large holdings, distribute land and institute rural cooperatives among the peasants who had traditionally cultivated the land always without owning it. The promoters of the Land Reform Law of 1962 had hoped that these institutional changes would help increase agricultural productivity, living standards and would also increase demand for manufactured products, provide resources for urban industrial development, and create a more stable socio-political atmosphere.

But the following points concerning land reform of 1962 are worth mentioning:

1. The land was given to some portion of the rural population while agricultural labour (khushnashins) were not given land perhaps because they did not have cultivation rights on land. Thus they were not allowed to join the rural cooperatives as well. Consequently, not only that 35-40 per cent of rural

population could not acquire land, but they were denied cooperative services, like credit, consumer goods, etc. Thus the disparity of income among farmers turned to be wider.

2. As the land was not equally distributed, the dualistic structure of farm size was created, which caused many socio-economic problems in management structure of the cooperatives.

3. The big landownership continued to persist in Iran. As such after more than 25 years, the 1,000 hectares private and capitalist farms continued to exist with one hectare family farms. This became possible because under the name of "mechanized farm" more than one and half million hectares; and, under the name of gardening and tea plantation, etc. thousands of hectares were exempted from the land distribution programme

4. The law of programme gave priority in receiving land cultivators, but did ensure that they actually continue to work on the land themselves after distribution as they did in the past. In practice this meant that non-cultivating group such as small or large renter from absentee landowners (malik, including State, ex-Shah and wagf) or gaveband, got land, while casual labourer with regular wage, in cash or kind which constituted 35-40 per cent of the villagers, did not benefit from the programme.

5. Instead of being free of charges, the prices of sold land to the peasant was so high that for most of them farm revenue was not enough to pay their instalments. On the other hand



the Government was concerned with providing huge amount of loan to large farms and not so much concerned with supplying enough credit to local cooperative and their members.

Therefore, peasants instead of concentrating on productive activities and investment project, were engaged in arranging for the required credit from local money-lenders for meeting their obligations, deposit their annual instalments, and for meeting their consumption needs.

6. The farmers did not receive the necessary assistance for forming their own organisation and groupings, specially, in order to organise and maintain their collectively owned equipments and infrastructure.

7. Where the beneficiaries could not organise a purposeful cooperative, the traditional organisation which prevailed in the villages gradually disintegrated. This in turn led to a noticeable attitude of individualism among the farmers.

8. The programme instead of emphasising at voluntary cooperative farming, put its utmost power to create large-scale state-controlled farm organisations and foreign capitalist agro-businesses which even after consuming huge capital and human resources, failed.

The performance of agro-business farms was extremely poor. Their unit cost of production was characteristically higher than those in the peasant sector. The reasons for

this poor performance were several: the units were too large, their management structure was ill-suited to the local conditions, their imported technology was ill-adopted, and their work-force was typically made up of expropriated former peasant labour holders used as migrant labour. Farm cooperations performed relatively better than agro-business farms because of their smaller size and more relevant forms of ownership, management, technology and employment. Yet considering the moral and material support which they received from the State, their performance was also disappointing. The distribution of the social and economic boundaries of the traditional village, the immiserisation of the poorer peasants and the direct bureaucratisation of the decision-making involved, were among the major reasons for their inefficient functioning.

The available evidence clearly indicates that, in spite of the anti-peasant State policies, the performance of peasant agriculture was better than agro-businesses and farm corporations, but it grew at a slow rate and remained economically undeveloped and socially underprivileged. The extension of the central bureaucracy to the villages, and the official contempt for the peasantry which was amply reflected in the attitude and behaviour of local (civilian as well as military) officials, created social instability, economic insecurity and psychological resentment among the peasants.

In the meantime, from 1973-4 onwards oil revenues and

for the matter urban living standards, though at a very different rates for different social classes, have been rising. This, given the deteriorating conditions of a section of peasantry, created a strong incentive for peasant migration into towns. However, the ultramodern technology applied to modern manufacturing and service production, even road construction, left little employment opportunity for purely manual labour. Migrant peasants had no capital of their own, and, they were completely alien to the urban culture. The rapid rise of urban food and dwelling prices resulted in hunger and homelessness of the immigrant peasants. Thus, both in villages and in towns, the scales were drastically turned against the Iranian peasantry, resulting in extensive under-nourishment in a country, with a per capita income of US \$ 700 per annum. This is one of the contexts in which the revolution of 1979 took place.

According to the United Nation's publication 'Progress in Land Reform',<sup>1</sup> summarized the situation of land distribution in Iran in 1966 as follows:

"These land reform measures have, however, by no means, solved the problems of Iranian agriculture. There was nothing to prevent landlords from reordering the cultivation pattern in their villages before the land reform reached them in such a way as to ensure that the best land -- or indeed any land

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1 United Nations, Progress in Land Reform (Fourth Report), Department of Economic and Social Affairs, New York, 1966, pp. 24-25.

at all -- went to their friends, relatives, and loyal dependents. Again, landlords who exercised their option to retain a collection of parts of villages, might contrive to retain the best part of each and even, perhaps, those parts which dominate the water supply for the rest of the village... Again, in those districts where was a tenancy hierarchy the land sometimes gone to the entrepreneurial gaveband who did not cultivate, directly, rather leased to the crop sharing labourers who have derived no benefits from the programme. Thus a new class of landlords may have been created. It is, indeed, the explicit intention of the programme not to establish equality, but to create an extended tenure ladder. As the Shah said in one of his speeches, "our aims are not to destroy landlords. What we are doing is a means of making it possible to become small landlords. Those who become owners of land today, we hope will become small and lords in the future".<sup>1</sup>

This was a scheme to perpetrate landlordism in one way or the other, obviously to the utter negation of any idea of a meaningful land reform."... The other immense problem is to find some rapid substitute for the organisational and physical service formerly provided by the landlords and their agents. It is not clear how effective the new cooperatives will be in this respect, in view of the fact that Iranian farmers have very little experiences of egalitarian cooperation. By 1963, nearly 2,000 cooperative associations had been formed,

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<sup>1</sup> Ibid., p.25.

but it is certain that many of these were cooperatives in name only, their sole function being to enable the tenant recipients of redistributed land formally to conform with the requirements of the law..."

Finally, as Mahdavy, an Iranian economist who participated in studies of the early effect of land distribution, has pointed out, "the land distribution programme left the existing land allotments untouched. In the villages affected by the programme, only the title deeds of the lands previously farmed by the peasants were passed on to them. No redistribution or levelling of the existing disparities between different classes of peasants took place. The distinction between classes within the village community is seldom appreciated."<sup>1</sup>

Problems of land ownership and uncertainty about new regime's land reform policies have added to the difficulties affecting the agriculture sector. After the fall of the Shah, when the authority of the central government was weak, land seizures began in many villages. The most dramatic examples occurred in the Turkoman and Kurdish areas, where concentrations of large absentee land-holdings were specially pronounced, but other areas were also affected. In some cases the government did not intervene, but where it did, it tended to

1 H. Mahdavy, Iran, Agrarian Problems. A paper delivered at Harvard University, 1965, quoted in N.R.Keddie, The Iranian village before and after land reform. The Journal of Contemporary History, Vol.3, No.3 (1968), p.79.

oppose land seizures. The events were accompanied by mass migration from the countryside to the cities -- nearly 1.5 million rural dwellers migrated to Tehran alone during the first year of Revolution. The regime recognized the economic disaster that this migration threatened. Some kind of land reform promised to keep people on the land and, at the same time, moderate land seizures and reassure small owners to encourage investment and production. A land reform programme prepared by Ministry of Agriculture was submitted to the Revolutionary Council at the end of 1979. The programme planned to limit the size of holdings to three times the average in an area. The large landowners have been accused of influencing the clergy to oppose the new measures. The land reform bill was eventually introduced and passed by the Majlis in 1981, but later rejected by the Council of Guardians as un-Islamic. The form of the land reform bill was then altered, and considerably moderated. Land was to be confiscated only from former enemies of Revolution and barren or uncultivated lands. After many months before the Majlis and deep controversy over the acceptability of the law in the light of Islamic principles, the bill was again rejected by Council of Guardians of the Constitution.

For nearly seven years the authorities have been trying to reconcile Islamic principles with the revolutionary goals and expectations, so far without much success. Some observers believe that the land reform scheme has now been shelved and

that the system of land tenure to emerge under the Revolution is a rather conservative one with proper respect for private property and one in which the farmer and bazaar have been confirmed in their traditional roles. However, it may be said that due to Iraq's aggression, there has been depressions in all spheres of the economy.

Agriculture which continued to be a successful activity was neglected in the pre-Revolution has been described as the weakest spot in the Iranian economy and the biggest impediment to progress. Given the high priority by the Islamic Republic as the axis of the economy, agriculture has to fulfil its designated role. In addition to the landownership question, the war has imposed numerous constraints. Between 1980 and 1982, 10 per cent of the agricultural land fell under Iraqi occupation; a disproportionate number of volunteers for the war effort are drawn from village; and the heavy financial burden of the war imposes limits on spending.

In the light of conclusion and findings, the following suggestions need consideration to help implement the land reform programme in an effective manner in Iran:

1. There should be an early finalization of the details concerning the ownership of land and its distribution among the landless peasants.
2. Maintenance of an up-to-date land records of both the ownership and cultivating rights, so that the law can be quickly brought into practice. Such detailed

records have been lacking in the past with regard to holding of land and ownership etc.

3. There should be a support programme for necessary training and implementation of the land reform as well as of the persons affected by the reforms.
4. At the decree of Imam Khomeini an organisation named Jahad-e-Sazandiqi (Reconstruction crusade) has been established in 1979 with its Headquarters at Tehran and its branches all over the country. The purpose of the organisation is to help villagers and other oppressed people. The organisation has been successfully working for the reconstruction of Iranian economy particularly rural sector. However, its activities should be further strengthened and expanded for the benefit of the backward and war-torn areas in Iran. Secondly, it can play very important role in implementing the land reform programme.
5. The Government, it is hoped, can adopt a strategy where the big landlords and those ploughing surplus land, can themselves come forward in facilitating voluntarily on their own in the land reform programme. Needless to say that those landlords who have landless peasant relatives in agriculture, priority may be given to them for the distribution of surplus land
6. Agro-business projects have been nationalised after the revolution. It is suggested that farm cooperatives be encouraged to take scientific farming so that the Iranian economy can produce food and raw material needed for further industrialisation.



GLOSSARY

Amlak-e-Saltanati	:	Crown lands
Amlak-e-Khossosi	:	Private estates
Ejareh	:	Rent
Govband	:	Head of peasant work unit
Kadkhoda	:	Headman
Khaliseh	:	Domain lands
Khan	:	Chief
Khushnishin	:	Peasant without land rights
Majlis	:	National Assembly
Malik	:	Owner or title-holder
Mazaraeh	:	Independent farm
Mozareh	:	Crop-sharing system
Musha	:	Joint farming
Nasaq	:	Cultivation rights
Ostan	:	Province
Qanat	:	Underground water-channel
Raiyat	:	Peasant
Shahrastan	:	District
Shishdang	:	Six parts, i.e., total village land
Waqf	:	Endowment land
Waqf-e-aam	:	Land endowed for pious purposes
Waqf-e-khass	:	Land endowed for donor's family

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